Daily Report

Latin America

FBIS-LAT-94-251
Friday
30 December 1994

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Daily Report
Latin America

FBIS-LAT-94-251 30 December 1994

CONTENTS

INTER-AMERICAN AFFAIRS

Colombia Delays G-3 Trade Pact Implementation *[NOTIMEX]* 1

CARIBBEAN

Cuba

Castro Praises Council of State Workers *[Havana TV]* 2
Robaina Attends Minfar Ceremony Honoring Workers *[Havana TV]* 2
Industrial Markets Show Success in First 26 Days *[Havana Radio]* 2
Sugar Industry Minister Outlines 1995 Goals *[Havana Radio]* 3
Domestic Cooling, Transformer Oil Supplants Imports *[Havana Radio]* 3
Commentary Views Social Discipline *[Havana Radio]* 3
Vice Minister Comments on Foreign Investment *[Havana Radio]* 3
Ambassador to Brazil Comments on Bilateral Trade *[Havana Radio]* 5

Inter-Caribbean Affairs

Banana Associations Want Extension of EU Deadline *[CANA]* 5

Haiti

Pro-Aristide Demonstrators Back Abolishing Army *[CANA]* 6
Demonstrators Seek Aristide's Lifelong Term *[Port-au-Prince Radio]* 6
CEP Solicits Suggestions From Political Parties *[Port-au-Prince Radio]* 6
Government Submits Budget for Parliament's Approval *[Port-au-Prince Radio]* 6
Soldiers in Petit-Goave Dismissed from Army *[Port-au-Prince Radio]* 7
Bahamian Coast Guard Intercepts 620 Rafters *[Port-au-Prince Radio]* 7

Jamaica

Half of Haitians at Refugee Center Return *[CANA]* 7

MEXICO

Zedillo Announces 'Emergency Program,' Serra Puche Resignation *[Mexico City TV]* 8
Finance Secretary's Letter of Resignation *[Mexico City TV]* 9
Opposition Leader Reacts to Zedillo Emergency Program *[Mexico City TV]* 10
Senators React to Program *[Mexico City Radio]* 10
Columnist Views Serra Puche's 'Crumbled' Image *[EL FINANCIERO 26 Dec]* 11
Zedillo Appoints Communications Secretary *[NOTIMEX]* 12
President No Longer To Attend Governors' Inaugurations *[NOTIMEX]* 12
EZLN Announces Withdrawal From 8 Chiapas Municipalities *[AFP]* 12
EZLN: Army Withdrawal Helps Create 'Climate of Detente' *[NOTIMEX]* 13
Members of Legislative Commission, Conai Meet in Chiapas *[LA JORNADA 28 Dec]* 13
Secretary Explains Chiapas Agrarian Measures *[LA JORNADA 29 Dec]* 14
EZLN-Controlled Ejido Faces Shortages *[EL FINANCIERO 27 Dec]* 15
Businesses Create Chiapas Investment Fund *[EL FINANCIERO 27 Dec]* 16
Detained U.S. Soldier Accused of Taking AK-47's to EZLN *[Madrid EFE]* 18
Foreign Secretary Asks U.S. To Stop Anti-Mexican 'Abuses' *[LA JORNADA 28 Dec]* 18
Free Trade Accord With Costa Rica Takes Effect 1 Jan *[EL FINANCIERO 28 Dec]* 19

CENTRAL AMERICA

El Salvador

Background to PDC Internal Split Discussed *[EL SALVADOR PROCESO 30 Nov]* 21

Guatemala

President Doubts Warning of Possible Upheaval *[AFP]* 22
Ombudsman Notes Violations of Mayan, Human Rights *[SIGLO VEINTIUNO 28 Dec]* 22

Panama

Cuban Exile Reports Agents in Rafter Camps *[Panama City TV]* 23
Foreign Ministry Views Position on Rafters *[EL PANAMA AMERICA 29 Dec]* 23
Government 'Passivity' on Rafters Issue Noted *[EL PANAMA AMERICA 29 Dec]* 23

SOUTH AMERICA

Argentina

Poll Shows 19-Point Menem Lead Over Massaccesi *[NOTICIAS ARGENTINAS]* 25
Brazilian Paper Interviews Economy Minister *[FOLHA DE SAO PAULO 26 Dec]* 25
Envoy to UK Interviewed on Falklands, Fish, Oil *[LA PRENSA 21 Dec]* 26
Iranian Warns of Possible Attack on Jewish Target *[NOTICIAS ARGENTINAS]* 27
AMIA Urges Preparedness Against Possible Attack *[NOTICIAS ARGENTINAS]* 28
Security Measures for Jewish Property Continue *[NOTICIAS ARGENTINAS]* 29

Bolivia

'Drugs,' 'Dependency' Characterize Ties With U.S. *[PRESENCIA 5 Dec]* 29

Brazil

Cardoso Defines Central Nucleus of Government Team *[O ESTADO DE SAO PAULO 23 Dec]* 30
Article Views Formation of Cardoso Cabinet *[JORNAL DO BRASIL 18 Dec]* 30
Lampreia: Cardoso Plans 'Presidential Diplomacy' *[JORNAL DO BRASIL 28 Dec]* 32
Economic Team Members Profiled *[GAZETA MERCANTIL 27 Dec]* 32
Finance Minister Designate Nominates Secretaries *[AGENCIA ESTADO]* 33
Outlines Priorities *[JORNAL DO BRASIL 28 Dec]* 33
Discusses De-Indexation, Exchange Rate *[Brasilia Radio]* 35
Incoming Civilian Household Chief Profiled *[GAZETA MERCANTIL 26 Dec]* 35
Planning Minister-Designate Interviewed *[O GLOBO 25 Dec]* 37
Structure of Future Defense Ministry Analyzed *[JORNAL DO BRASIL 27 Dec]* 40
President-Elect To Increase Funds for Technology *[JORNAL DO BRASIL 28 Dec]* 40
Attorney Seligman Appointed Justice Executive Secretary *[JORNAL DO BRASIL 27 Dec]* 41
Sao Paulo Governor Not To Participate in Administration *[AGENCIA ESTADO]* 42
Amaral Rejects Invitation To Become Cardoso Spokesman *[JORNAL DO BRASIL 27 Dec]* 42
Article Views Constitutional Reform, Congressional Majority *[JORNAL DO BRASIL 25 Dec]* 42
1995 Budget Situation, Expense Increases Viewed *[O ESTADO DE SAO PAULO 18 Dec]* 43
Finance Ministry Blocks Accounts of 19 States *[Rio de Janeiro TV]* 44
Central Bank Closes Fiscal Year With Deficit *[JORNAL DO BRASIL 24 Dec]* 44
Franco: Mexican Peso Devaluation Not To Affect Country *[AGENCIA ESTADO]* 45
Effects of Mexican Currency Crisis Viewed *[GAZETA MERCANTIL 23 Dec]* 45
Nuclear Submarine Program Examined *[VEJA 21 Dec]* 46
Public To Comment on Planned Launch of Satellites *[FOLHA DE SAO PAULO 26 Dec]* 48
Air Force Participates in Rio Anticrime Operation *[Rio de Janeiro TV]* 48
Roundup of Economic Reports *[JORNAL DO BRASIL 25 DEC]* 49

Chile

Police Investigate Torture Accusation *[EL MERCURIO 30 Nov]* 52
Military Court Reopens Disappearance Case *[EL MERCURIO 1 Dec]* 52

Colombia

FARC Criticizes Government's Social Pact *[Santa Fe de Bogota TV]* 52
Commissioner: Government Peace Plan Unchanged *[Santa Fe de Bogota TV]* 53
Role of Agriculture in Social Pact Studied *[EL TIEMPO 19 Dec]* 53

Ecuador

Congress, Executive Branch Reach Accord on Reform Bill *[Quito Radio]* 54
Summary of Strikes in 3-Month Period *[EL UNIVERSO 14 Dec]* 54
Petroindustrial's Projects for 1995 Listed *[EL COMERCIO 5 Dec]* 56

Peru

Proposal For Single Opposition Candidate Fails *[Madrid EFE]* 57
Army Liberates 134 Shining Path Prisoners *[Madrid EFE]* 57

Uruguay

President-Elect Satisfied With Visits to Mercosur States *[EL PAIS 23 Dec]* 58
Abreu on Signing of EU, Mercosur Memorandum *[EL OBSERVADOR ECONOMICO 23 Dec]* ... 58
Foreign Minister Sees Complications in Customs Union
[EL OBSERVADOR ECONOMICO 22 Dec] 58

Venezuela

Central Bank Reports 1994 Economic Performance *[EL NACIONAL 27 Dec]* 59
Roundup of Economic Developments *[Caracas Radio, etc.]* 60

Colombia Delays G-3 Trade Pact Implementation

PA3012025294 Mexico City NOTIMEX in Spanish 0105 GMT 30 Dec 94

[FBIS Translated Text] Santa Fe de Bogota, 29 Dec (NOTIMEX)—The entry into force of the free trade agreement of the Group of Three (G-3) will be delayed because the Colombian Government must still review it, Foreign Trade Minister Daniel Mazuera said today.

The official explained that the recent devaluation of the Mexican peso and the fact that a legal requirement in Colombia has not been met are the reasons why the treaty will become effective after 1 January, instead of on that day, as had been planned.

Mazuera stated that the measures to be taken with regard to the agreement by the group comprising Colombia, Mexico, and Venezuela seek to protect businessmen from the three countries while the monetary situation in Mexico is stabilizing.

The G-3 technical commissions, the official added, must meet in a few days to adopt the necessary corrective measures in view of the situation in Mexico, where the currency has been devalued.

He admitted that this is a temporary situation and will not lessen the benefits contemplated initially in the commercial treaty.

Mazuera felt that a devaluation of the Mexican peso could bring an unexpected and unfair advantage to the producers of that country, as well as an increase in the price of the merchandise entering that market.

He also said that since this is an international agreement, the Constitutional Court must review it before it can enter into force, which is impossible because the magistrates are still on vacation.

Last week, however, President Ernesto Samper enacted the law ratifying the agreement that establishes a 10-year gradual elimination of tariffs and creates a market of 143 million potential consumers. On that occasion, the president stated that the agreement would officially come into force on 1 January.

Last June, then presidents of Colombia and Mexico, Cesar Gaviria and Carlos Salinas de Gortari, respectively, and Venezuelan President Rafael Caldera signed the commercial complementary agreement in the Caribbean city of Cartagena de Indias, following more than two years of intense negotiations. The official disclosed that Colombian authorities are monitoring daily the situation in Mexico and noted that if the situation is not corrected, it may be necessary to reconsider the treaty.

After noting that so far, the government has made no contacts with its G-3 partners, Mazuera added that one of the measures that could be adopted would be resorting to the impairment [menoscabo] clause as a compensation and corrective mechanism.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Cuba

Castro Praises Council of State Workers

FL3012030894 Havana Cuba Vision Network in Spanish 0100 GMT 30 Dec 94

[From the "NTV" newscast]

[FBIS Translated Text] Jose Marti once said: To honor brings one honors. This was realized when a group of workers from the Council of State received recognitions for their years of dedicated service.

On 27 December, Commander in Chief Fidel Castro, members of the Politburo and the Central Committee, as well as all workers of the Council of State participated in a ceremony at the Palace of the Revolution where diplomas of recognition were presented to a group of 48 workers, each with more than 30 years of service in the Council of State.

At the same ceremony, another 171 workers, each with over 20 years of service, were also honored. Another 38 Comrades received the Enrique Hart Award, which is awarded by the national public administration workers union.

[Begin Castro recording] This ceremony symbolizes many things. I know that you are proud of what you have done. You feel honored by what you have done. You feel very happy for being able to participate in this ceremony. I have seen many faces and I have also seen some tears. [words indistinct] tears in their eyes from the very moment they walked into this room. That is why I was saying that the most important thing is emotion.

The most important thing is the pride one feels inside, for what he has done. [pauses] Hierarchy is not something important. What is important is to comply with one's duty. There is no greater glory than to comply with one's duty, anonymously. This has been done by most of you.

You will keep that satisfaction as human beings. Human beings pass away. All of us, this entire group, will keep the satisfaction of knowing that the ideas, the cause, and the values that we defend today—for tomorrow—have been erected on our sweat, sacrifice, and with our blood.

I believe in ideas. I believe in just ideas. I believe that all human beings can share that same belief in noble and just ideas, like the ones we have been defending.

[Passage Indistinct] those of us that are here today will be together, today, tomorrow, and the day after. We will continue to work and we will continue to fight together. We will continue to comply with our duty until our last breath. When that last breath comes, for anyone of us here and if mother nature gives us the opportunity—sometimes we don't even get a chance to become aware that it is our last breath [pauses]. I believe it will be a happy moment, for all of us who have been here this afternoon.

It's no exaggeration to say that the fatherland has never had more faithful laborers. It's no exaggeration. All of you have been on the front line of a historic fight and you have known how to be exemplary during some of the most difficult times in the history of Cuba. If there is Cuba today—and there will always be a Cuba—it is thanks to the efforts and sacrifice of men and women such as yourselves. [applause] [end recording]

Robaina Attends Minfar Ceremony Honoring Workers

FL3012024294 Havana Cuba Vision Network in Spanish 0100 GMT 30 Dec 94

[From the "NTV" newscast]

[FBIS Translated Text] The Ministry of Foreign Relations [Minrex] received the status of readiness for defense in the second phase during a ceremony on 29 December, in which workers also commemorated the 35th anniversary of the creation of the Minrex.

Foreign Minister Roberto Robaina received the flag which makes the Minrex worthy of that condition, and which is granted by the Minister of the Revolutionary Armed Forces [Minfar], to institutions and organizations with outstanding performance and results in the defense, and in work goals related to the defense sector.

In addition, a group of workers received the distinction of outstanding defense readiness, which is also granted by the Minfar. Other Minrex workers received the Enrique Hart medal, which is awarded by the public administration union to those who have labored diligently in that sector for 20 years or more.

The founders of the Minrex were also honored, and Robaina valued the efforts of Minrex workers during its 35 years of service.

[Begin Robaina recording] To assure our foreign relations, and to strengthen our national unity like never before, was an important part of the work done during the year that is about to conclude. [end recording]

Robaina added that we need to save strength for the new challenges.

[Begin Robaina recording] We will see each other in January, a month when we will begin our journey through a new year. [end recording]

Industrial Markets Show Success in First 26 Days

FL2912182194 Havana Radio Reloj Network in Spanish 1509 GMT 29 Dec 94

[FBIS Translated Text] In the first 26 days of operation, over 3.2 million pesos worth of merchandise has been sold at the industrial market in Havana. According to the newspaper GRANMA, secondary products from heavy industry accounted for 30 percent of sales, self-employed

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

workers accounted for 23 percent of sales, and the rest were attributed to local industry.

The facts prove that this market is carrying out its role in meeting the needs of the people, and its rise has opened an alternative to foster increased production. It has proven to be a good opportunity to encourage greater cooperation among the industrial entities of Havana, which will have repercussions on their economic management and redistribution of workers.

Sugar Industry Minister Outlines 1995 Goals

FL2912131694 Havana Radio Rebelde Network in Spanish 0000 GMT 29 Dec 94

[Interview with Nelson Torres by correspondent Diosdado Maso, place and date not given; from the "Exclusive" program—live or recorded]

[FBIS Translated Text] [Maso] I would like to take advantage of the fact that I am accompanied by Nelson Torres, sugar industry minister and Politburo member, to find out about Cuba's first industry's projects for 1995.

[Torres] First of all, consolidate sugarcane production and consolidate the work of the Basic Cooperative Production Units [UBPC]. Right now we have been contracting the activities that take place parallel to the sugarcane harvest. After the men and machines cut the cane, we want to start cultivating, breaking the soil, planting, and weeding the cane. That is, doing all activities involved in sugarcane agriculture that will allow an increase in our sugarcane production.

The first wish for next year is to increase production, for our estimates of 30 June. We can already see firm steps being taken in that direction. We see the UBPC already reacting with great enthusiasm. We already see the possibilities of each Agroindustrial Complex and everyone's awareness. We plan to achieve this first objective.

The second objective is to increase efficiency. We want to obtain efficient economic results. We want to start, to jump, to take-off and pull out of the special period.

[Maso] These are the wishes of all Cubans because we are all aware of the saying: without sugar, there is no country. I would like to thank Nelson Torres for being here this afternoon with us on "Exclusive" to talk about our first industry—sugar.

Domestic Cooling, Transformer Oil Supplants Imports

PA2912174294 Havana Radio Havana Cuba in Spanish 0000 GMT 29 Dec 94

[From the "Evening Information Review" newscast]

[FBIS Translated Text] In Cuba, national production of industrial cooling oil and transformer oil [aceite para transformadores] has replaced all imports of both products, allowing the country to save foreign exchange. Up until now, Cuba had been importing 1,320 tonnes of these oils annually. Cuba's cooling oil has a useful life of six years while the useful lifespan of imported cooling oil ranges from three and one-half years to four years. Cuba's transformer oil, also, is being successfully used in the country's electricity industry.

Commentary Views Social Discipline

FL3012020894 Havana Radio Rebelde Network in Spanish 1800 GMT 29 Dec 94

[Commentary by Susana Tesoro; from the "National Radio News"]

[FBIS Translated Text] Social discipline is for others. Sometimes we view social discipline as something that applies to others and not to ourselves. We constantly observe citizens who act properly in their private life, but this occurs inside their homes. When they step outside their front doors they dedicate themselves to mercilessly attacking their surroundings, most of the time unconscientiously, however, it happens that there are urban development rules, highway and transportation laws, and decoration and hygiene regulations. Despite the existence of these laws, they are regularly disregarded in every part of the nation. Where can you go in Cuba and not be able to see a truck parked on the sidewalk? Or cars parked on the grass in a park? Or heavy trucks traveling on roads with weight restrictions? These scenes are common in many parts of the island.

The Havana Government recently met with a group of reporters to explain, among other things, their interest in and steps to strongly counteract the lack of social discipline that abounds in every part of Havana. It is certain that without certain state support, it would be impossible to combat these violations. Sometimes—or most of the time—there are no garbage cans in the parks, major streets, or places where many people gather, such as craft fairs, and farmers markets to name a few. According to the provincial government of Havana city, 3,000 fines had been levied up to 30 November, an insufficient number in view of the infractions we see every day. All this seems to indicate that even the inspectors are not enforcing the laws quickly and strictly enough, since, it is explained that some of them spend an entire day without finding one violation. In cases like this we can understand what the old saying means: There is no worse blind man than one who doesn't want to see.

Vice Minister Comments on Foreign Investment

PA2912134194 Havana Radio Havana Cuba in Spanish 0000 GMT 27 Dec 94

[Report by Marianela Samper from the "Evening Information Review" newscast—passages within quotation marks recorded]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[FBIS Translated Text] Octavio Castilla, vice minister of foreign investments and economic cooperation, has reiterated in Havana that financial contributions obtained through associations with foreign capital amounted to approximately $1.5 billion this year. He pointed out that the number of firms established in the country increased to 173 and that 90 U.S. companies have visited the country and expressed interest in investing and trading when the blockade against Cuba is lifted. Also, 14 U.S. companies have signed letters of intent in industries such as tourism, sugar, mining, food production, biotechnology, and others.

[Castilla] "Those letters of intent, of course, have time limits. We cannot commit ourselves to any transaction until the embargo is lifted. Again, there are time limits on those letters. If the U.S. companies do not have the necessary permits to conduct the transaction by that time, I imagine the letters of intent will expire. This is the usual procedure. As you know, they cannot conduct direct transactions because of the blockade. However, what is very important is that they have expressed an interest."

Castilla also made reference to attempts to interest foreign investors in the sugar industry, as was announced by Cuban Vice President Carlos Lage at the opening of the Havana International Fair.

[Castilla] "We have advanced this process very actively. In my opinion the process includes the following aspects: One aspect is the financial sector. There are several foreign companies interested in getting involved in particular regions and increasing production and other things with a certain degree of financial security. We have already undertaken related efforts. The other aspect is already known and has been mentioned here before. It is our interest in promoting the sugar refining sector. There are several rounds of ongoing negotiations, and we have included the production of raw sugar in the sugar refining sector as part of our process to become more flexible.

"Almost all sugar refineries have a sugar mill linked to them. We have several variables here, and they are all contingent on increased efficiency in the production and refining of sugar. We have modernized several areas, such as the production of direct [word indistinct] starting from the sugarcane and technological improvements that have increased efficiency. We are continuing negotiations with UK firms—those are the ones that I recall right now—as well as with the Arabs."

He added that the financing for sugar production can take the form of either products or currency. He also said sugar refineries and the sugar mills linked to them are joint ventures, and, as such, they must follow the established procedures.

On negotiations in the real estate sector, Castilla asserted:

[Castilla] "They are moving in the following directions. There are negotiations to convert existent buildings into offices. These are the so—called intelligent buildings with all of the required services, such as communications and so on. Yes, they would be joint ventures too, and they would rent those installations. The second aspect is converting existing buildings into housing units that could be leased to the large number of foreign firms and officials living in the country. The third aspect could be the building of new housing units—that is, houses for employees of foreign firms. Negotiations on real estate are well advanced and, before you ask me, letters of intent also have been signed for this activity."

The foreign investment law now being studied attempts to update the current law that has been in effect since 1982 and needs to be modernized, Castilla stated. He added that the new law will be much more flexible, will not introduce new taxes, and will further expedite the approval process for joint ventures. The new law takes into account the experience of the past three years and includes suggestions made by both local and foreign investors to improve it.

One foreign colleague said several investors interested in the sugar and mining sectors were concerned about possible demands by former U.S. proprietors. The vice minister of foreign investments and economic cooperation explained:

[Castilla] "The government grants a particular asset and transfers it to a private Cuban company called X, which is the one that sets up the joint venture. The government, of course, commits itself when it transfers the asset; this is the guarantee the state gives.

"Now, regarding the possibility that third parties make demands, there are no legal grounds to present demands on property. Cuba grants the asset, through a resolution, to the private company which is the party that associates with a foreign firm. Every government has the right to nationalize property. This right is recognized around the world.

"Furthermore, the Cuban Government offered to compensate the U.S. Government at the time, but its offer was not accepted. You all know how this happened. The Cuban Government presented an offer to the U.S. Government in 1961, but there was no response to it, therefore, demands on nationalized state properties are groundless in terms of the law. Former proprietors cannot make any legal demands, because they would have to present these to the U.S. Government. The U.S. Government was the one that did not accept the Cuban Government's offer. We presented an offer proposing procedures for payment in 1961. It is a known fact that Cuba has paid for all of the properties it nationalized at that time. It has paid all other countries. I believe there is only one pending matter with the Spanish Government, and it is gradually being paid."

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Ambassador to Brazil Comments on Bilateral Trade

PA2912192094 Havana Radio Havana Cuba in Spanish 0000 GMT 28 Dec 94

[Interview with Ambassador to Brazil Ramon Sanchez Parodi by Pedro Otero in Brasilia; date not given; from the "Evening Information Review" newscast—recorded]

[FBIS Translated Text] [Otero] We are talking to Ambassador Sanchez Parodi here in Brasilia. Ambassador, the outgoing Brazilian Government led by Itamar Franco has maintained a consistent position on the Cuban issue by condemning the blockade and supporting Cuba's determination to defend its sovereignty and integrity in the face of U.S. threats. This was evident in 1994—for example, at the Fourth Ibero-American Summit and, recently, at the Summit of the Americas. Do you think the new government led by Fernando Henrique Cardoso, who will be sworn in on 1 January, will maintain a similar position?

[Sanchez Parodi] In my opinion, the Brazilian Government's position reflects not only the president's attitude and position—in this case, that of Itamar Franco, who has always had a special relationship with Cuba—but it also reflects the interests of the Brazilian nation per se. In my opinion, this position—in other words, the defense of Cuba's right to self-determination, independence, and sovereignty—is something the Brazilian authorities will maintain in the future. Simply by seeing and analyzing the statements the new Brazilian Government and president-elect have made concerning Brazil's position; interests; and the role Brazil must play in the world, the hemisphere, and the Latin American region, we can conclude that we should and can expect the new Brazilian Government to maintain this same position of defending Cuba's sovereignty, independence, and right to self-determination.

[Otero] It has been said that 1994 is ending with the Cuban and Brazilian Governments remaining very interested in increasing trade relations. Also, there is talk of specific figures—somewhere between $45 million and $60 million—in terms of trade between the two countries. I would like you to elaborate on this point. Also, in what way does Cuba's pharmaceutical industry or its medical products contribute at this point in terms of dollars?

[Sanchez Parodi] We do not have the final figures on this year's trade between Brazil and Cuba, but we can certainly say that in terms of medical products, in vaccines alone, Cuba and Brazil have signed contracts worth $54 million, aside from additional trade in medical products, minerals, and other products.

I have seen estimates for bilateral trade in 1994. I think it can easily reach the $90 million or $100 million mark. We will see the final figures in the near future. For now, however, I believe that the potential for future relations, including trade, economic, and commercial relations, between Brazil and Cuba is quite promising. Some estimates have been made. Bilateral trade could easily his the $300 million mark in the foreseeable future. I do not know exactly when, and I would not dare give an estimate right now, but I think the potential is very good.

If things continue as they have until now, and if certain problems and obstacles that exist in our relations are overcome, within the next few months we will be able to see a substantial increase in our economic and trade relations. In my opinion, the most dynamic element for Cuba is trade in the health sector.

Inter-Caribbean Affairs

Banana Associations Want Extension of EU Deadline

FL2912145294 Bridgetown CANA in English 2117 GMT 28 Dec 94

[FBIS Transcribed Text] Kingstown, St. Vincent, Dec. 28, CANA—The Windward Islands and banana marketing companies for the African, Caribbean and Pacific [ACP] countries have sought a three-month extension of the January 1 deadline for conforming to new European Union (EU) quality standards, a senior industry official said here. But General Manager of the St. Vincent Banana Growers Association Simeon Greene stated with improved and sustained quality now enjoyed by St. Vincent and the rest of the Windward Islands, implementation on the original date should not prove a problem. "We are sure that we can meet these new European Union specifications," he said. "As a matter of fact, in some instances, our present specifications are higher than the minimum EU standards," Greene added.

The tougher standards dealing with such factors as fruit size, weight and appearance apply to all bananas imported into Europe.

Greene said the United Kingdom subsidiary of the Windward Islands Banana Development and Exporting Company (WIBDECO) as well as other marketers in the ACP grouping expected the waiver to be granted. He added the only two areas that might present a problem were related to attainment of a consistent carton weight and classification of fruit in the field in accordance with EU specifications. Greene said on the local level, training sessions had been held to prepare farmers for the changes and trials conducted on the holdings of three farmers proved successful. Scales were also provided for farmers to weigh their cartons in the field.

Assessing the performance of the banana industry this year, Greene said although production and earnings had fallen below 1992 and 1993, the exchange rate for the pound sterling was more stable this year. With a better average green wholesale price, the association was able to earn about 59-60 cents per pound of fruit sold, he added.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Greene said the local association would be implementing aspects of a comprehensive restructuring programme, but noted the exercise was progressing slowly due to failure of parties involved, the banana associations, governments, farmers and donor agencies, to reach a consensus. He cited, as an example, an already prepared United Nations Development Programme report on strategies to restructure the industry while a similar project was being undertaken by the British Development Division in the Caribbean. "We have piles upon piles of documentation but the implementation is another matter," he remarked.

Haiti

Pro-Aristide Demonstrators Back Abolishing Army

FL2912145094 Bridgetown CANA in English 2240 GMT 28 Dec 94

[From "Broadcast News Summary"; no dateline as received]

[FBIS Transcribed Text] Thousands of supporters of President Jean-Bertrand Aristide marched through the capital on Wednesday demanding that Aristide abolish the feared Haitian army and remain in power for life. The demonstration capped several days of escalating tensions in the Caribbean nation over a government plan to reduce the Haitian military from some seven thousand soldiers to about one thousand five hundred.

On Monday, a group of dissident Haitian soldiers stormed the army headquarters building to protest rumours that the government would withold December pay from some soldiers. At least three Haitians died and six others were injured in gunfire that involved both Haitian soldiers and U.S. troops. Nearly 500 weapons, including grenade launchers and M-16 rifles, were seized by U.S. soldiers.

President Aristide, who returned to power October 15 after being ousted in a 1991 military coup, has drawn the wrath of military sympathisers for his determination to sharply reduce the size of the army while breaking its hold over many poor neighbourhoods and provincial towns.

Demonstrators Seek Aristide's Lifelong Term

FL2912234194 Port-au-Prince Signal FM Radio in French 1130 GMT 29 Dec 94

[FBIS Translated Text] There were new demonstrations in favor of Aristide's lifelong presidency. On 28 December hundreds of people in Port-au-Prince demanded Jean-Bertrand Aristide's lifelong term.

[Begin recording in Creole] [First unidentified speaker] Cedras already violated the Constitution. Aristide wants to respect it. As far as I am concerned, since 30 September, there has been no constitution. We have declared Aristide president for life.

[Second unidentified speaker] For life, forever.

[First unidentified speaker] We want Aristide to come back as president for life. This is what we want. [words indistinct] We the people would rather spoil the elections than let Aristide go to elections. We are not going to participate in the elections. Aristide must serve his five-year term. We do not ask that he be president for life, but he must complete his five-year term not including all the time he spent abroad. Aristide must recover the three years he lost abroad. We would prefer to continue dying. Even if the Americans shoot at us, we will not go to elections again. We will continue to demonstrate until the polling time comes. [end recording]

Mr. Aristide recently reiterated that on 7 February 1994 [year as heard] he would transfer the presidency to whomever is elected president. Aristide made those statements to U.S. President Bill Clinton shortly before past 15 October. A fraction of the demonstrators took a stand in favor of an amendment of the Constitution whereas others demanded the recovery of the three years lost through the coup d'etat.

On 26 December, demonstrators introduced the question on Aristide's lifelong presidency during the incident at the Army General Headquarters. Nevertheless, President Aristide has not commented on the matter.

CEP Solicits Suggestions From Political Parties

FL2912235794 Port-au-Prince Signal FM Radio in French 1130 GMT 29 Dec 94

[FBIS Translated Text] In a communique dated 27 December, the Provisional Electoral Council [CEP] invited political parties and other social organizations to send their proposals and suggestions within three days—as of 28 December—for the elaboration of the electoral bill. Furthermore, referring to the holding of free, clean, and democratic elections in the near future, the CEP stated that the 1990 electoral law would be used as reference.

On 26 December, the nine CEP members proceeded to set up an office made up by Mr. Anselme Remy, president, Mr. Leon Manus, vice president, and Mrs. Marie-Laurence Jocelyn Lassegue, secretary general.

Government Submits Budget for Parliament's Approval

FL2912214594 Port-au-Prince Signal FM Radio in French 1130 GMT 29 Dec 94

[FBIS Translated Excerpt] On 28 December, Michel's government presented the budget for the republic's 1994-1995 fiscal year, with approximately $3 billion in

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

operational expenses and $6 billion in capital investments. On 28 December, the Parliament held an extraordinary session to examine and vote on the budget. The parliamentarians met in separate chambers to debate on the bill. Things were quite lively at the Chamber of Deputies. There was great concern over the fact that 45 percent of the budget would be financed by external aid. [passage omitted]

Deputy Gerard Evanns Beaubrun reproached the finance minister for having inserted the operational budget section of the new ministries into the national budget. The finance minister solicited the benefit of urgency.

[Begin Beaubrun recording] An operational budget is a deed of sovereignty. It is a deed of sovereignty because it allows the state's basic elements to operate. It is a cause of great concern to see that 45 percent of the budget's income comes from abroad. We are concerned for several reasons. The first reason being that these foreign countries cannot guarantee that this aid will be available during the 1995-1996 fiscal year. [end recording]

Minister Marie-Michele Rey, who represented the Smarck Michel Government, noted the urgency of the bill and asked for an quick approval.

[Begin Rey recording] The budget for the 1994-1995 fiscal year amounts to 3.454 billion gourdes. Approximately 55 percent of the budget's income will come from internal sources and the remaining 45 percent from external aid. The external [words indistinct] $45 million from the U.S. Government, [words indistinct], loan from the World Bank of about $40 million, and approximately $5 million in aid from France and Canada. The U.S. Government's donation [words indistinct] where the dollars are intended for the purchase of fuel products. The gourdes obtained from the sale of fuel will go directly to the budget. As far as the concessionary loan are concerned, the dollars that are used to import consumer goods and equipment for both the public and private sectors, will generate gourdes, which will be used to finance projects in the sectors of infrastructure, energy, agriculture, health, and education. [passage omitted] [end recording]

For his part, the planning minister spoke of the difficulties that the government is having within the scope of the public investment program, a program based on three main lines. [passage omitted]

The budget bill was submitted for review to the Lower Chamber's finance committee.

Soldiers in Petit-Goave Dismissed from Army

FL3012012194 Port-au-Prince Signal FM Radio in French 1130 GMT 28 Dec 94

[FBIS Translated Text] Several members of the armed forces in Petit-Goave were expelled from the Army over the past weekend. According to our correspondent, the population welcomed the news:

[Begin unidentified correspondent recording in Creole] Sixteen militaries quartered at the Faustin Soulouque Barracks in Petit-Goave received their dismissal letter from the Haitian Army over the past weekend, according to city official. Among those dismissed was Lieutenant Fritz Charlotin, who was head of the district for several months. This dismissal caused great panic among the soldiers who hold the Army officials responsible for the unemployment of many heads of families. However, the population hails the government's decision because of the attitude those militaries had toward the population during the three years of the coup d'etat. [end recording]

Bahamian Coast Guard Intercepts 620 Rafters

FL3012012294 Port-au-Prince Radio Metropole in French 1700 GMT 29 Dec 94

[FBIS Translated Excerpt] A total of 620 Haitian boat people were intercepted in high seas last week by the Bahamian coast guard. It is the first group of Haitian refugees to be intercepted since President Jean-Bertrand Aristide's return to power on 15 October. The Bahamian Government received the Haitian boat-people while they await their repatriation to Haiti. [passage omitted]

Jamaica

Half of Haitians at Refugee Center Return

FL2912183594 Bridgetown CANA in English 1632 GMT 29 Dec 94

[FBIS Transcribed Text] Kingston, Jamaica, Dec. 29, CANA—Thirty one Haitians who took refuge in Jamaica during the past two to three years returned to their homeland Wednesday. Hudson Michel, a coordinator at the refugee centre in Montpelier, western Jamaica, told CANA that the refugees flew out on a United Nations-chartered flight.

Twenty nine Haitians are now left at the centre with some expressing a desire to return to Haiti at "a later date" and others wishing to stay here permanently. Michel said the Jamaican government was "considering" the "situation" of the remaining Haitians. "We don't yet know what the decision of the government will be," said Michel.

Several of the Haitian refugees have started families with Jamaican partners and a number have also secured employment in Montpelier and the wider community. Most of the refugees fled their homeland in small, rickety boats following the overthrow of President Jean Bertrand Aristide three years ago. Aristide was restored to power in October following a UN-sanctioned, U.S.-led multilateral military intervention.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Zedillo Announces 'Emergency Program,' Serra Puche Resignation

PA2912230594 Mexico City Canal 13 Television Azteca Network in Spanish at 2130 GMT on 29 Dec

[Address by President Ernesto Zedillo Ponce de Leon from the Los Pinos presidential residence in Mexico City—live]

[FBIS Translated Text] Good afternoon. On 22 December, the Bank of Mexico ceased to intervene in the currency exchange market. The excess demand on foreign currency triggered a significant devaluation of our currency. The demand for dollars was much greater than the supply. Due to the Bank of Mexico's need to use its foreign reserve funds during 1994, it soon became impossible to cover the difference between supply and demand with its own reserves. Consequently, we had to allow the dollar exchange rate to float.

The main reason the demand for foreign currency became so much greater than the its supply, is that our imports have been exceeding our exports for several years now. The difference between imports and exports of goods and services was almost $25 billion in 1992. In 1993, it was $23 billion and it is estimated that in 1994, it will be close to $28 billion. The difference is known as the balance in the government's current account of the balance of payments.

The deficit became far too large, despite the many measures. For comparison reasons, we measure this in proportion to the country's total production, which is known at the GNP. In 1994, the current account deficit was almost 8 percent of the GNP. To give you an idea of just how high that really is, we could compare it with the comparable figure at the end of the last three administrations. In 1976, the proportion was 4 percent. In 1982, it was 3 percent. In 1988, it was just below 1.5 percent of the GNP.

A current account deficit is usually compensated by an influx of capital. Private capital flowed into the country in the form of indirect investments. The main source, however, was an influx of capital in the form of short-term liquid financial investments. The fact that foreign capital flowed into the country, which in turn helped us to pay for imports of raw materials and capital goods, is not negative in itself. The negative thing was the excess.

The increased negative balance in the current account and the fact that our country was shaken by several unfortunate events, lessened confidence abroad. In addition, there was less capital available abroad. This prevented more funds from coming to Mexico to help compensate for the deficit. Many investors who had arrived during the previous years, began leaving in 1994.

To compensate for the reduced availability of new funds and the withdrawal of other funds during 1994, the Bank of Mexico, as I said before, was forced to use significant amounts of foreign reserves. This was especially true when foreign investors decided to withdraw large portions of their investments due to the events that affected the country. So it happened when the armed conflict in Chiapas broke out and in the political uncertainty that prevailed at the end of February and the beginning of March. The same happened after the murders of Luis Donaldo Colosio [presidential candidate for the Institutional Revolutionary Party, PRI] and Jose Francisco Ruiz Massieu [PRI secretary general]. Still again we saw this happen due to the recent events in Chiapas.

The truth of the matter is that the size of the current account deficit and the reduced flow of capital that helped to compensate for that deficit, made our economy highly vulnerable. My government sought to slowly reduce that vulnerability by gradually adjusting the deficit, restoring confidence and, in so doing, creating a more permanent influx of foreign capital investments. The strategy did not work. Unfortunately, the size of the accrued imbalance and the political events that triggered the withdrawal of capital investments, the action plan to slowly and gradually defuse the problem was useless. We see clearly now that the current account deficit increased so much during the last few years that, in light of the internal and external events, it became unsustainable. We must recognize that we underestimated the situation and that in itself is very serious.

We can do nothing but reduce the current account deficit quickly and readjust our economy to our own resources and the considerably reduced availability of funds coming from international markets.

The devaluation and other adjustment measures our country will inevitably have to take will serve to lower the deficit in the current account. The devaluation will decrease imports of merchandise and services by making them more expensive and will raise our exports by making them more attractive abroad. The devaluation will also attract investors to establish new companies in our country. The devaluation, however, also has very painful effects on our economy. It inevitably hurts the prices in the local currency of imported products, and this causes a temporary inflationary effect, which harms everyone's living standards.

The situation is hurting all Mexicans, but we must face it in a decided manner so that the crisis does not acquire an even greater dimension, which is more costly to the people. We must and we can promptly overcome this crisis to take advantage of the possibilities for growth that our economy has. In Mexico and abroad, it has been recognized that the country has built solid foundations to reach a process of sustained development with social justice. We must adapt as soon as possible and prevent the temporary inflation that the devaluation will cause from becoming permanent. The inflation rate does greater harm to the wage earner and low-income people. That is why we must do everything necessary to stabilize prices in a short time. Hence, in the first days of January we will begin a national emergency program. The program will contain difficult yet indispensable measures to

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

overcome the situation. We cannot let the crisis bring us down. We must face and control the crisis immediately, acknowledging the sacrifices made inevitable by the situation.

If we do not do it this way, the cost will be greater for everybody, primarily for the needy. The economic emergency program will have three fundamental objectives: 1. To lower the deficit in the current account to a level that can be financed favorably in the short term; 2. to create the conditions for a prompt and healthy recovery of economic activity and employment; 3. to make the inflationary effect of the devaluation as reduced and as brief as possible and to prevent the economy from falling into an inflationary spiral. To accomplish these objectives, the economic emergency program must include the following elements:

1. An agreement among productive sectors that, with the utmost economic realism, will keep us from falling into a race between devaluation and inflation.

2. A fiscal adjustment that complements the effect of the devaluation on the current account deficit. Among other actions, the fiscal adjustment will include a necessary reduction in public spending compared to what was planned until now for 1995.

3. A package of measures to expand structural change, in particular in those sectors that need to be promptly modernized to boost the productivity and competitiveness of our economy. We will encourage the consensus of private investors in modernizing the infrastructure for development.

4. The creation of a financial support fund with international resources for an amount that will allow us to achieve financial stability as quickly as possible.

This fund can be created as soon as possible thanks to the goodwill and confidence expressed by the financial authorities of our main trading partners, international financial organizations, and private foreign banks. I want to announce that to reach agreement on, coordinate, and implement the economic emergency program with the effectiveness and credibility required by the circumstances, I have decided to accept the resignation of Jaime Serra Puche as head of the Finance Secretariat. Serra Puche will be replaced by Guillermo Ortiz Martinez.

The emergency economic program will be implemented with the full determination to restore as soon as possible the confidence of national and foreign investors in the future growth of the Mexican economy with financial stability. We must control the inflationary threat as soon as possible to first lessen and then turn back the effects of this crisis on the living conditions of the population and on job opportunities.

The program, above all, seeks to turn what is now a critical situation into an opportunity to achieve a healthy and solid growth. Sectors of the economy—such as exporting activities that compete with imports and tourism—will increase their profitability and become more attractive to investors, and thus, will promote the creation of jobs.

As president of the Republic, I am clearly aware that the economic emergency facing us demands an additional effort from all of us. I know that this additional effort will require the responsible participation of everyone. I also realize that we all prefer to hear the truth and know what is in store.

Every one of us will begin 1995 with a very serious responsibility: To make a new, firm, and determined effort. Each one must do his part; no one will be exempt from making sacrifices. We must start 1995 with unity, determination, and trust. Unity to consolidate everyone's efforts, determination based on the knowledge that we already proved in the past that we are stronger than any problem, and trust in that we know how to consolidate everyone's effort to overcome this economic crisis. Thank you very much.

Finance Secretary's Letter of Resignation

PA3012050694 Mexico City XEW Television Network in Spanish 0430 GMT 30 Dec 94

[Text of letter of resignation sent by Dr. Jaime Serra Puche, finance and public credit secretary, to President Ernesto Zedillo, on 29 December; from the "24 Hours" newscast—read by announcer]

[FBIS Translated Text] Mexico City, Federal District, 29 December 1994.

Dr. Ernesto Zedillo Ponce de Leon

Mr. President:

In view of the financial crisis facing the country, I concluded that the gradual strategy that I proposed to tackle the high imbalance of our economy's current account was not the correct one. The analyses made to draft the 1995 economic program underestimated the seriousness of the situation, which demanded immediate attention.

The country requires a new economic program to eliminate the current account imbalance through additional measures to correct our public finances, a deepening of the structural change to ensure the competitiveness of the economy, and a great concerted agreement to prevent the inflationary impact of recent foreign exchange fluctuations.

To contribute to the success of the new economic program, I implore you to accept my resignation of the post to which you appointed me on 1 December. I will always be grateful to you for this honor, and I reaffirm my permanent loyalty and friendship.

Respectfully yours,
Jaime Serra Puche.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Opposition Leader Reacts to Zedillo Emergency Program

PA3012131794 Mexico City XEW Television Network in Spanish 0430 GMT 30 Dec 94

[From the "24 Hours" newscast]

[FBIS Translated Text] Mr. Carlos Castillo Peraza, president of the Executive Committee of the National Action Party [PAN], the largest opposition party in Mexico, has spoken to the "24 Hours" newscast about the emergency package announced by President Zedillo.

[Begin Castillo recording] Some time ago, during the election campaign and in its political platform, PAN pointed out that it was a mistake to rely on foreign investments to finance the nation's economic inadequacies.

Therefore, today we can say it is appropriate for the president of the Republic to acknowledge this mistake. The president has invited us to take responsibility for the consequences of an action which, for some time, benefited a few, and now we must all share responsibility as a nation. This means that the burden of problems resulting from the current crisis should be spread out evenly. The burden should not be placed squarely on society's shoulders, but the government, which has admitted its error, must bear its share of the responsibility to resolve these problems.

Specifically, those who claimed that only a PRI [Institutional Revolutionary Party] president could avert economic problems must now also pay the consequences of their political choice, not by presenting themselves as economic victims, but by giving economic support to those they have given political support.

At this difficult moment, it is the responsibility of all Mexicans to lend united support to rectifying this mistake and to do whatever is necessary to prevent greater adversity from arising out of this mistake, and, in turn, from past mistakes, some good may come. [end recording]

Senators React to Program

PA3012034394 Mexico City Radio ACIR Network in Spanish 0000 GMT 30 Dec 94

[Report by Juan Carlos Escobedo; passages within quotation marks are recorded]

[FBIS Translated Text] Legislators of the Institutional Revolutionary Party [PRI], the Natonal Action Party [PAN], and the Party of the Democratic Revolution [PRD] today called for the democratization of the nation's economy. They demanded that any emergency plan to confromt the economic crisis must be discussed with the production sectors and be approved by the National Congress. PRD and PAN senators listened to the presidential announcement with skepticism. They, as well as PRI senators, found the removal of Jaime Serra Puche from the post of finance and public credit secretary to be positive. Nevertheless, the representatives of the three parties also agreed that this does not solve the cause of the problem, which is an economy damaged by the faulty policies of the previous administrations.

Jorge Calderon Salazar, an economic adviser to the PRI National Executive Committee, stated the party's stand on this issue. He said the president's plan should be stricter and more severe if it is to control the trade balance and current account deficit. He believes that the foreign debt should be renegotiated and that there should be absolute control over financial institutions, but in a democratic and concerted fashion, so as to contain speculation.

[Calderon] "I hope, as I said before, that there will be a swift and energetic effort to correct the country's economic course, as well as national dialogue with all political and productive forces. Guillermo Ortiz cannot decide for himself. He must talk with the nation."

PRI Deputy Alejandro Rojas agreed that there must be dialogue with the nation and its representatives at the congress, to discuss the changes to the government's economic plan and the emergency measures.

[Rojas] "Any change to the economic plan or any other political reform should be approved by the congress—senators and deputies—which will call for special sessions, as I said yesterday. The deputies and senators are responsible for the nation's future."

PAN Senators Jose Angel Conchello and Hector Teran said that it is evident that there is a need for the legal framework for a plebiscite or referendum to be implemented. The people will then be able to express their opinions on government policy. Hector Teran said that PAN Senator Juan Antonio Garcia Villa, the head of the main accounting office at the Finance Ministry [contaduria mayor de hacienda] will have to face his responsibility in the crisis.

[Teran] "When the government's accounts are reviewed at the end of the year, there may be the need to take legal action if there is evidence of wrongdoing, upon forwarding the audit reports to the Attorney General's Office."

PAN and PRD lawmakers agreed on the need for an emergency plan to protect salaries. Regarding this idea, PRD Coordinator Hector Sanchez said the following:

[Sanchez] "I believe there should be some sort of emergency plan for salaries. This is necessary because it is impossible for workers, despite the 10 percent increase they just received, to satisfy their most urgent needs."

Regarding the effects of the crisis on NAFTA, Jose Angel Conchello called for the agreement to be suspended.

[Conchello] "We have a serious balance of payments problem. We must suspend the implementation of NAFTA until the balance of payments is leveled off and we replenish our reserves."

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Maria Elena Chapa, senator for Nuevo Leon, said that what has happened has happened. We must overcome the looking-back attitude and all the whining about what we should and should not have done and begin working.

Columnist Views Serra Puche's 'Crumbled' Image

PA2812032594 Mexico City EL FINANCIERO in Spanish 26 Dec 94 p 33

[Column by Federico Arreola: "Serra, Close to His End"]

[FBIS Translated Text] It can be admitted that the devaluation is a legacy of the Carlos Salinas de Gortari regime. This has been said here and will continue to be said for as long as it is necessary, but it must also be said that Jaime Serra Puche could do a better job. In fact, his performance has been very poor and has made life difficult for millions of Mexicans.

I don't know Jaime Serra. I know some call him "El Jaijo" and that he is a competent economist. During the past six-year period, this man's performance as commerce secretary was outstanding. In my opinion, he negotiated more or less suitably the free trade agreeement with the United States and Canada, although many people think he negotiated poorly. Today's story, though, does not deal with NAFTA but with the devaluation, the issue that is finishing off Serra Puche.

Serra was unable to aspire to the presidency during the Salinas period, because he did not meet some constitutional requirements, but since the obstacle no longer exists, at the beginning of the Ernesto Zedillo administration, El Jaijo was the big favorite to become president of Mexico in the year 2000. This conclusion gained force when analysts discovered that some friends of Serra form part of Zedillo's cabinet, especially Commerce Secretary Herminio Blanco.

Serra would have liked to be finance secretary during the Salinas administration because although the Commerece Secretariat was and still is considered to be an honorable post, it is still a post of secondary importance. The former president did not fulfill his friend's wish. It is believed that a great friendship exists between Serra and Salinas. Despite this, the former president decided to give the Finance Secretariat to Pedro Aspe, another economist. It can be said today that this was a good decision. The former president made mistakes in other cabinet positions, by appointing people not befitting the posts of secretary of government and attorney general, but Salinas made no mistake with his Finance Secretariat appointment.

Unable to seek the presidency, Jaime Serra directed his political efforts to supporting Luis Donaldo Colosio's candidacy. Serra did what Zedillo also did: he gambled it all on the late politician from Magdalena de Kino. However, if Colosio had become president, there is no certainty that El Jaijo would have become finance secretary. Colosio's best economist was not Serra, but Zedillo.

The thing is that Ernesto Zedillo is the one who arrived at Los Pinos and that as president, he appointed Jaime Serra finance and public credits secretary. At first, this did not appear to be a poor choice, because Serra is considered to be one of Mexico's best economists.

Many people (including myself) had wished that Zedillo would have appointed Pedro Aspe as head of the Finance Secretariat, because the truth is that Aspe's performance was the best among all those of Salinas' cabinet members, but not even we could say that El Jaijo was a bad choice. For 20 days he was not, until he devalued the currency the way he did.

Zedillo employed Jaime Serra as finance secretary. In his inauguration speech, Zedillo, referring to his aides, said he had asked them to serve and to obey the will and the interests of the people, not to use the posts for personal gratification or promotion. Well, in 20 days, El Jaijo has demonstrated, in spite of all his high grades as an economist and a public official, that the post Pedro Aspe had occupied before him, was too big for him. Serra has not been able to serve the people nor has he obeyed their will. But he has gained notoriety with a devaluation that has endangered the Zedillo administration from the start.

Upon taking office, the president told the members of his cabinet that their duty was "to work honestly and intensely to their full capability, giving an exact account of their actions to the people and the representatives of the people." Jaime Serra Puche has certainly worked honestly and intensely, but he has made mistakes, and, primarily, he has lost the confidence of local and foreign investors so that he will not be able to give a good account of his actions to the citizens and the representatives of the people. Citing Benito Juarez, Ernesto Zedillo warned his aides against governing by whims. This is what, according to a widespread view among businessmen, the finance and public credit secretary did when he decided to devalue the peso.

Talking about the members of his cabinet, the president said: "Each and every one of them has my confidence, and I know they will fulfill their responsibilities." In the wake of the serious problems Serra Puche has caused, it is unlikely he will continue to have the president's confidence.

In another part of his inaugural speech, Zedillo noted that "the objective of the economic policy should be the growing welfare of every person and his family." This is something that, following the unexpected and impressive devaluation that "El Jaijo" promoted, is now even farther from becoming a reality than on 1 December 1994.

Ernesto Zedillo also stated: "Our biggest challenge is to attain decent living conditions for every Mexican

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

family." Ruining Christmas for an untold number of Mexican families, with a devaluation that could have been handled some other way or on another date, in no way helps this objective.

"El Jaijo," began Salinas' [as published] six-year term as the most influential man of the current government, as the great favorite for the race that has already started for the presidential succession. In 20 days, however, Serra Puche's image has crumbled. It would not be unusual, and may even be beneficial, if he stepped down from his post as finance and public credit secretary. There are enough economists who can successfully replace him.

Zedillo Appoints Communications Secretary

PA3012043694 Mexico City NOTIMEX in Spanish 0357 GMT 30 Dec 94

[FBIS Translated Text] Mexico City, 29 Dec (NOTIMEX)—President Ernesto Zedillo on 29 December appointed Carlos Ruiz Sacristan as new communications and transport secretary, and Adrian Lajous Vargas as director general of Mexican Petroleum (Pemex), the presidency has announced.

Ruiz Sacristan had served since 1 December as Pemex director and will replace Guillermo Ortiz, who left the Communications Secretariat after the president appointed him as secretary of finance and public credit.

Ortiz in turn replaced Jaime Serra Puche, who resigned on 29 December.

The new communications and transport secretary was born in Mexico City in 1949 and earned a Bachelor's Degree in Business Administration at Anahuac University.

He has a Masters Degree in Finance, Marketing, and International Economics from Northwestern University in Chicago, United States.

In public administration, Ruiz Sacristan held the post of deputy secretary of expenditures at the Finance and Public Credit Secretariat in 1993.

Adrian Lajous Vargas, who replaces Ruiz Sacristan as general director of Pemex, was born in Mexico City. He is an economist and has a Masters Degree in Economics from Cambridge University.

In public administration, the new Pemex director has held the posts of corporate director of operations, assistant director of planning and coordination, and executive coordinator of foreign trade for Pemex.

Lajous Vargas was the general director of energy and director of industrial investment while he worked at the Commerce and Industrial Development Secretariat.

President No Longer To Attend Governors' Inaugurations

PA3012010794 Mexico City NOTIMEX in Spanish 2328 GMT 29 Dec 94

[FBIS Translated Text] Mexico City, Dec (NOTIMEX) [dateline as received]—The Mexican Presidency today announced that President Ernesto Zedillo will no longer attend governors' inauguration ceremonies.

In a communique, the Presidency added that the president will cease sending presidential representatives to ceremonies in which state governors read their annual reports.

According to the document, presidential representatives can attend these ceremonies at the invitation of state congresses but will not be able to speak at such events.

The communique disclosed that the president will tour Tabasco, in southeast Mexico, in late January, thus canceling his visit scheduled for Saturday, 30 December, when the new governor will be sworn in.

EZLN Announces Withdrawal From 8 Chiapas Municipalities

PA3012000894 Paris AFP in Spanish 2217 GMT 29 Dec 94

[FBIS Translated Text] San Cristobal, Mexico, 29 Dec (AFP)—The Zapatist guerrillas announced that they will withdraw from "advance positions" in eight municipalities in Chiapas and will clear airstrips in the area and clean up highways, according to a rebel communique issued today.

The document dated 27 December and signed by the Clandestine [Indian] Revolutionary Committee—General Command, the EZLN [Zapatist National Liberation Army] (which has been up in arms since January), "praised" the Mexican Army's withdrawal from San Quintin and Monte Libano, in Ocosingo Municipality, in keeping with an order issued by President Ernesto Zedillo on the evening of 27 December.

The EZLN admitted that the withdrawal of federal troops will contribute "to a lessening of war tension and will open a door to the establishment of a stable truce and the resumption of the dialogue."

The group added that as soon as the withdrawal of "4,000 military units" from San Quintin and Monte Libano is confirmed, "on 28 December" it will "simultaneously" withdraw its forces from "advance positions" in eight points of the municipalities of Ocosingo, Las Margaritas, Independencia, and La Trinitaria.

The places that will be evacuated include San Pedro de Michoacan, Tierra y Libertad, Francisco Gomez, Maya, San Salvador, San Manuel, Libertad de los Pueblos Mayas and Ricardo Flores Magon.

The EZLN also announced that it will "immediately clear the air strips located within the limits of the Zapatist municipalities mentioned above."

It will proceed to "immediately remove roadblocks" from Las Margaritas-Guadalupe Tepeyac, Ocosingo-San

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Miguel, Ocosingo-Monte Libano highways and adjacent roads" to restore public traffic in the area, the communique stated.

The EZLN announcement takes place within a framework of detente after the Mexican Government accepted on Tuesday night the EZLN's demand to have the National Mediation Commission (Conai)—led by Bishop Samuel Ruiz—as the mediator in a possible new dialogue.

In an exchange of messages, the EZLN accepted the Government Secretariat to act as a mediator for the negotiations.

EZLN: Army Withdrawal Helps Create 'Climate of Detente'

PA3012032394 Mexico City NOTIMEX in Spanish 0040 GMT 30 Dec 94

[FBIS Translated Text] San Cristobal de las Casas, 29 Dec (NOTIMEX)—The Zapatist National Liberation Army (EZLN) operating in the Mexican southeastern state of Chiapas, today announced that it will withdraw its forces from eight towns and will clear the airstrips it had under its control.

According to a communique issued in this Chiapas city, located approximately 1,200 km southeast of Mexico City, the decision was prompted by the announced withdrawal of Mexican Army troops from San Quintin and Monte Libano.

The Mexican Army withdrawal, ordered by President Ernesto Zedillo on 27 December, helps "create a climate of detente that will open the doors for a stable truce and from there, the resumption of a dialogue," the document explained.

The message signed by the Clandestine Revolutionary Committee-EZLN General Command explained that once it has been confirmed that the Army withdrew approximately 4,000 troops on Wednesday, it will proceed to carry out a simultaneous withdrawal.

The towns that the armed group, created on 1 January 1994, will withdraw from are: San Pedro Michoacan, Tierra y Libertad, Francisco Gomez, Maya, San Salvador, San Manuel, Libertad de los Pueblos Mayas, and Ricardo Flores Magon.

In the communique, the Zapatists also reported that they will immediately clear the airstrips located within the limits of these municipalities.

The massage added that the EZLN will also clear all obstacles from the highways in an effort to normalize vehicle circulation on the Ocosingo-Monte Libano, Margaritas-Guadalupe Tepeyac, and Ocosingo-San Miguel roads.

Members of Legislative Commission, Conai Meet in Chiapas

PA2912192594 Mexico City LA JORNADA in Spanish 28 Dec 94 p 6

[Report by Jose Gil Olmos, Alonso Urrutia, Jose Antonio Roman, and Candelaria Rodriguez]

[FBIS Translated Excerpt] San Cristobal de las Casas, Chiapas, 27 Dec—The members of the Legislative Commission for Dialogue and Mediation, after meeting with members of the National Mediation Commission [Conai], ruled out the existence of any competition between the two bodies and said they will concentrate their efforts on seeking legal means to achieve peace in Chiapas.

Legislative coordinator Luis H. Alvarez at a news conference urged the Mexican Army and Zapatist National Liberation Army [EZLN] to stop advancing toward one another and instead speed up the peace process, as demanded by Mexican society.

In Tuxtla Gutierrez, Cuauthemoc Cardenas, former Party of the Mexican Revolution presidential candidate, was pessimistic about the role played by the legislative commission. Cardenas said there are no encouraging signs, despite Conai's recognition and the legislators' arrival, because the federal government is determined to keep Eduardo Robledo in the post of governor and has not made up its mind to resolve the truly serious political problems.

The legislative commission members, in a communique read at the San Cristobal de las Casas Diocese offices, said their main role is not to compete with Conai, which they fully support as a mediator between the EZLN and the Federal Government. "We want to say in the presence of the media that this commission considers the reaching of an agreement between the sides on detente and terms for talks to be of utmost importance." The legislative commission members described their meeting with Conai as "fruitful and beneficial," and they expressed their concern over the fact that federal and EZLN forces are advancing toward one another, "because this introduces a dangerous tension into the climate required for dialogue." They also said they are not pursuing any political goals and that they met with President Ernesto Zedillo "to learn about his willingness for a peaceful solution." At this meeting, they told the president that they supported Conai's recognition as a mediation commission.

After the legislators arrived in Tuxtla Gutierrez, Alvarez said the legislative commission should act cautiously and without prejudice or passing judgment on the main participants in the Chiapas conflict to ensure the success of the mediation efforts.

Alvarez declined to comment on the state's situation, specifically on the military occupation of certain zones and municipalities. "I do not want to advance an

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

opinion. We must be extremely careful. We are not coming with any preconceptions, because we must remain open to all opinions and contribute to finding means for everyone to participate in a dialogue and a process of reconciliation."

Meanwhile, the self-proclaimed Transition Government in Rebellion headed by Amado Avendano said in a communique: "President Zedillo simply wants to win time to continue his military buildup throughout the state of Chiapas." The communique also said the Federal Government, "in an act of open provocation to justify war," since 26 December in the area around San Quintin has unleashed an airborne assault over territories officially recognized as Zapatist and under the jurisdiction of the Transition Government in Rebellion." [passage omitted]

Secretary Explains Chiapas Agrarian Measures

PA3012141394 Mexico City LA JORNADA in Spanish 29 Dec 94 pp 3-4

[Statement by Agrarian Reform Secretary Miguel Limon Rojas issued in Mexico City on 28 December]

[FBIS Translated Text] Allow me to announce the package of agrarian measures which, on instructions from President Ernesto Zedillo, will be implemented in the state of Chiapas.

These measures respond to the real and just demands of Chiapas peasants. The measures are designed to contribute to the agrarian sector to restore legal order in the state, and, therefore, they are inspired by the legitimate desire for justice for the people of Chiapas and the need to restore social harmony—order with justice, justice derived from the strict application of the law.

This government move responds to a profound problem and is part of a package of measures aimed at promoting the sustainable development of the Chiapas people.

It is based on the recognition of Chiapas' contribution to the general wealth of the nation and the social backwardness from which the majority of its people suffer.

We are heartened by the belief that the steadfast responsibility of all the people and our faithful compliance with our duties as a government and a society will make it possible to restore peace, and, if we persist in this, we will bring about justice.

The agrarian measures we are announcing are as follows:

1. Disguised Large Land Holdings and Land Hoarding

According to Article 27 of the Constitution and the Agrarian Law, land holdings will be divided into plots when they exceed legal limits and when they are disguised through the use of fraudulent legal procedures. Although fraud of any kind is not admissible anywhere, it is particularly offensive when inequity and poverty cause great harm. In every case, proper care will be taken to guarantee that the implementation of these measures strictly follows the law and remains totally detached from any demagogic plans which could distort the spirit of this pledge.

By the same token, complaints of illegal hoarding or accumulation of ejido lands will be duly investigated and we will proceed to reorganize these lands.

With this end in mind, an office will be created to receive complaints, and corresponding investigations will begin with the participation of concerned peasants and the Agrarian Prosecutor's Office under terms established by law. The government will seize lands that exceed legal limits to meet demands for land through a trust that reinforces the honesty and legal validity of the procedures. In conformity with the terms established in Article 27 of the Constitution, a local regulatory law will establish the procedure for lands to be divided and transferred.

Allow me to report on an initial case in which we corrected a distortion and put a stop to abuse. The Santa Clara lands, covering some 5,000 hectares in Ocosingo Municipality, will be transferred through procedures established under the law to legitimate beneficiaries. In this instance, it is group of Chole, Tzeltale, and Tzotzile Indians living in the zone. This measure entails respect for the rights of the Lacandona community.

2. Land Distribution

We will begin immediately to distribute 3.6 million hectares of land purchased to meet the demands of peasant organizations.

In light of the fact that the government is responsible for the distribution of land, at the time of measurement and delimitation it will confirm the size of the property and whether it is suitable for distribution. For this purpose, inter-institutional brigades will be established to confirm ownership and to organize groups that will benefit from this. Also, the corresponding offices will be asked to implement programs to support rural development to complement the agricultural tasks of acquiring equipment, marketing, organizing, and training.

Another 17,400 hectares that already have been acquired will start to be distributed in January as legal proceedings are completed. For this purpose we have established a 60-day deadline.

Meanwhile, we will accelerate the process of acquiring 5,139 hectares via trusts. This land will be distributed within the next 30 days.

The government decided that trusts will comprise the instruments used to acquire land needed for those cases in which peasants have legitimate rights.

3. Agrarian Lag

We also report that within 60 days the Agrarian Reform Secretariat will ask the Agrarian Superior Tribunal for a decision on 65 pending land cases that are part of the state's agrarian lag.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

We also will deal with 1,200 agrarian cases presented by peasant organizations.

4. Compensatory Payments

Ejido and small plot owners whose lands have been occupied because of the conflict will receive economic support from the government. In order to do this, and in view of current budget constraints, it will be necessary to establish various criteria inspired by the principles of justice and equity to distinguish between properties based on whether they are within or outside the conflict zone. Priority will be given to distributing smaller plots to the most needy.

5. Distribution of Agrarian Documents

In the coming days, we will distribute the following documents that are of utmost importance for the peasants, because they are legal instruments that will allow them to defend and exercise their rights:

—4,000 rights certificates for common use parcels and urban plot title deeds that will benefit 1,930 landholders.

—476 basic files that establish the social property of an equal number of ejido owners.

—1,720 agrarian rights certificates for an equal number of ejido owners.

—12,265 certificates of recognition for joint owners.

—656 title deeds for tenant farmers.

—202 proofs of association registration that will benefit the same number of societies.

—331 documents indicating changes in ejido representation bodies.

These actions must be implemented with full political willingness and honesty, without bureaucracy, and within the budgetary limits that the circumstances warrant. For this purpose, the president of the republic instructed me to travel to Chiapas tomorrow (29 December) and remain in the state until these commitments are fulfilled.

EZLN-Controlled Ejido Faces Shortages

PA2912182194 Mexico City EL FINANCIERO in Spanish 27 Dec 94 p 23

[Report by Miguel Badillo]

[FBIS Translated Text] Morelia Ejido, Chiapas State, 26 Dec—For the residents of this village, the point of entry into the region controlled by the Zapatist National Liberation Army [EZLN], the constant threat of a resumption of the war is compounded by shortages and serious health problems. Tension and mistrust also are reflected in their faces over the reinforcement of Mexican Army troops stationed in Altamirano, the capital of the municipality located 10 km from Morelia. Throughout the Lacandona Jungle region, the EZLN is blocking with trees and rocks the ejido's landing strips to prevent a possible military attack. In this way, they are preventing the landing of military planes and helicopters, as well as the arrival of light aircraft carrying food supplies and medicines for thousands of Indians who eke out a living in the zone.

Access to Morelia Ejido through Altamirano is growing more difficult by the day. Constant rains have damaged the mud road and a stretch of 10 km takes more than two hours to cover. Vehicles get stuck all the time and have to be pulled from the mud by placing stones and boards under the tires.

Other obstacles to be overcome are the checkpoints set up by the Federal Mexican Army at the exit of Altamirano and the EZLN roadblocks at the entrance to Morelia Ejido.

Before entering this town, reporters have to identify the news media they represent. "Only LA JORNADA, EL FINACIERO, PROCESO, and TIEMPO (a local newspaper) are allowed to enter," one of the Indians manning the roadblock said.

About 150 EZLN Indians, some of them armed, are in the village's main square. Others are patrolling the area around Morelia Ejido. "We will repel any military attack. We are prepared to confront the soldiers," a leader named Miguel stated.

When the van arrived at Morelia Ejido, it was surrounded by Indians. Miguel came out to announce that the village authorities were not available for interviews, asking us to return in three days. At that time an important meeting was being held in the ejido, and only two leaders were available, but without the consensus of the village, they could not grant interviews.

Miguel talked about the shortage of food and the diseases, such as tuberculosis, cholera, and gastrointestinal illnesses, that are afflicting some peasants.

"In spite of this, we will not allow access to the Red Cross or the DIF [System for Comprehensive Family Development]. We are not going to accept government assistance either. We are fighting the government and cannot accept any official aid," he noted.

A leery, tense, and nervous Miguel asked for the identification of the reporter and the van driver hired for the trip.

He recalled soldiers already tried to enter the ejido, but they realized the EZLN was watching and turned back. Nevertheless, they may try to enter the village at any time. "We are prepared to keep them out," he said.

The residents of this village do not just have to cope with the tensions stemming from a possible resumption of hostilities, but also with daily food shortages.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Zapatist leader Miguel reported that Indians arriving from Morelia are not allowed to cross a military checkpoint on the outskirts of Altamirano Municipality.

The Indian leader said: "We are not allowed through. When we send our women to fetch food, they are interrogated and searched to prevent them from passing weapons. They always confiscate our supplies. They say they are following orders from higher up. If we buy 3 kg of sugar, they take 2 kg and only let 1 kg in."

The arrival of the "Ricardo Pozas" caravan from Mexico City, carrying food and medical supplies, therefore, would be an enormous relief. Right now the vehicles carrying the supplies is in San Cristobal de las Casas.

The inhabitants of the area, nevertheless, are skeptical. Miguel stressed, "It will be quite difficult for them to get to Morelia, because the Army has orders not to allow any supplies through."

It was confirmed in San Cristobal that the five tons of humanitarian aid from Mexico City would be sent to the communities in Larrainzar, where the soldiers have imposed a tight military cordon around the town.

Ranchers Change Their Tune

The cattle ranchers from Comitan, Ocosingo, Teopisca, and even Las Margaritas who had set up an office in Altamirano disappeared overnight.

The reason was that their leader, Jorge Constantino Kanter, is in Tuxtla Gutierrez now, from where he continuously travels to Mexico City to attend to and discuss the regional ranchers' problems with the government. The ranchers' silence, noticeable since the middle of the year, is worrisome.

Everyone has noticed the absence of Jorge Constantino and his white guards [armed parapolice financed by the ranchers] in town, which some feel is for better, but most feel is for worse. There are, however, people wandering about the municipality, such as Mayor Arnulfo Cruz de Celis, who Constantino left to keep an eye on things. Cruz calls Constantino quite often to keep him abreast of the situation.

Constantino Kanter is accompanied at all times by armed men. He is a natural leader of the ranchers because of his ties to the land and his willingness to defend their ranches, farms, and herds, "even at gunpoint." He organized a strike force and even hired a few white guardsmen to attack peasant leaders who had occupied their grazing fields.

Besides the Indians and the civilian population of Altamirano who remember him for the political and economic control he has exercised throughout the region, the nuns of San Carlos Hospital also feel his absence. Sister Patricia Moysen Marquez, their director, said the harassment has stopped since the cattleman left. She recalls, "At the beginning of the year, members of the municipality's 'high society' ladies staged a protest march against us, demanding we be banished." Several armed men who accompanied them even threatened to kill the nuns if they did not leave.

In February of this year, Jorge Constantino himself, told EL FINANCIERO that the "nasty little nuns" will only leave Altamirano in coffins and they are already being built.

All of a sudden, however, the town has become peaceful—overnight, in fact.

Some people argue this change was brought on by the deployment of the Federal Army, which was reinforced as of Monday when Subcommander Marcos announced the Zapatists had extended control over 38 municipalities.

Others, including the hospital's director, point out that it was prompted by the departure of the ranchers.

The Army's strategy has changed, and reconnaissance has been increased to keep track of those entering and leaving Altamirano. The soldiers harass the Indians and peasants. In the past year, problems related to health, prostitution, and the spread of sexually transmitted diseases have considerably worsened.

There are two soldiers on every street corner of the town. There are also military lookouts on the roofs of the barracks and some of the houses, and although rumors of "the Zapatists are coming" spread throughout the year, the people of Altamirano are still waiting for them because they have not come here.

Almost a year since the beginning of the EZLN armed uprising—with its declaration of way and its extension of territorial control into the communities surrounding Altamirano, Chilon, Chanal, Ocosingo and Las Margaritas—the population continues to live in fear and expects a clash between the two armies at any moment.

Altamirano Municipal Administrator Maria Elena Alfonso disclosed that in communities such as San Marcos, EZLN rebels continue urging the Indians to join them. This has motivated a migration toward the municipal capital. She also said the heightened military presence has increased confidence among the residents of the municipality. "We feel protected from potential Zapatist attacks."

Jose Luis Castellanos, driver of a public transportation vehicle, noted that all Indians who have arrived in Altamirano fleeing the Zapatists are being used by Mayor Arnulfo Cruz to stage rallies to support the ranchers. The Indians are taken to Tuxtla Gutierrez. There, the threat is a simple one: If they do not participate in the rallies, they will be excluded from the lists of those who receive provisions every Tuesday.

Businesses Create Chiapas Investment Fund

PA2912143894 Mexico City EL FINANCIERO in Spanish 27 Dec 94 p 14

[Report by Jenaro Villamil Rodriguez]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[FBIS Translated Text] Ten large business groups headed by Enrique Molina Sobrino have created the Chiapas Fund whose purpose is to channel investments into Chiapas' primary, tourism, and manufacturing sectors over the next five years.

The groups include the Mexican Development Group headed by Jorge Ballesteros Franco, the Herdez Group represented by Enrique Hernandez Pons, the Scorpion Industrial Consortium headed by Molina Sobrino, the Modelo Group represented by Valentin Diez, the Bancrecer Financial Group of Roberto Alcantara, the Carso Group headed by Carlos Slim, the Desc Group led by Fernando Senderos, the Posadas Group of Gaston Azcarraga, the Empresarial G. Group of Raymundo Gomez Flores, and Serfin Bank headed by Adrian Sada.

Under the Chiapas Fund project, the contributions from private sector representatives cannot be higher than 20 percent of the total, which must be a minimum of $500,000. This limitation does not apply to the state government.

The promoter of the project is Molina Sobrino. He explained that this is not a matter of "taking over Chiapas State" but of uniting the country's most established businessmen to initiate investment projects in Chiapas along with Chiapas businessmen.

The investment projects include, he said, the production of ethanol from sugarcane; the development of mariculture; the promotion of tourism in six Chiapas zones, including the Lacandona Jungle; tobacco production; and others.

Interviewed at his Campos Eliseos office, Molina Sobrino said the project emerged from an idea he discussed in December of last year, before the Chiapas conflict erupted, with then-Chiapas Senator and current Chiapas Governor Eduardo Robledo and the late Luis Donaldo Colosio, the Institutional Revolutionary Party's [PRI] presidential candidate.

The idea was born out of Molina's intention to produce ethanol and to acquire sugar mills in the state. When Robledo became the gubernatorial candidate, the idea gained strength. The original group included Slim, who is interested in the production of tobacco; Gaston Azcarraga, who wants to build a hotel; and Jorge Ballesteros, Adrian Sada, and Raymundo Gomez Flores who joined the group at the request of Molina Sobrino.

Molina said the idea is "to create a very large group with a disposition for business solidarity" and which is open to investors wanting to join it. He said: "The idea has never been to take over the state, because Chiapas must be for the people of Chiapas. I am only serving as a spark."

Molina admitted that the idea has not been promoted much, and he explained that this is "because businessmen are susceptible and will immediately question why they were not invited to join earlier," but there are plans to promote the group.

We asked him: Will the Chiapas guerrilla conflict impede the development of the fund?

He answered: "No way. The fund will put an end to that. If we want to review the conflict objectively, we first have to ask ourselves what do they want. They want wealth, but to have wealth it is necessary to have peace to enable people to invest. What are they going to take? Towns. What are they going to distribute? Poverty, dirt, trees, and leaves? They lack an economic goal."

The largest producer of sugarcane and the holder of the Pepsi franchise in Mexico highlighted: "I have never seen a proposal by the famous *Walt Disney* Marcos outlining plans to distribute goods. They have seized coffee fields and now there are no coffee crops. They have seized grazing land, and they are eating all of the cattle. What are they distributing?

"A revolution does not imply distribution. We had a revolution that destroyed the country's agriculture. It is preferable to allow private initiative to participate and fight to obtain more benefits. You cannot build a society by taking away from those who have something. Let us work to get something for those who have nothing."

Surrounded by his collection of paintings by Rufino Tamayo, Portocarrero, and Siqueiros, Molina Sobrino theorizes: "I feel we are reaching a phase in which those who have wealth and power have to ponder how they got where they are and understand that they have the enormous responsibility of sharing it, the tremendous obligation of allowing people to have access to the benefits that allowed them to get to where they are.

"If there is awareness that we must have more equitable distribution, and not in terms of what we have but of what we can do, we will have a more balanced, fairer society. The government cannot allow wealth to accumulate in the hands of a few. I would recommend to the Chamber (of Deputies) that, in extreme cases, it order automatic reinvestments to protect all citizens. This is a moral obligation."

He was asked: How do Mexican businessman view the Chiapas conflict? Are they interested in investing?

He replied: "As I told you regarding the fund, the response has been considerable. We do not want them just to give money and then forget the issue. We want a commitment. There are people who are producing corn and coffee and have invested in tourism. I already went to Pujitic, a sugar mill that is bankrupt, and I intend to get it back on its feet. We have just bought it. Now, if it goes down the drain, well, we will go down in style."

The Southeast, Potential Area for Investment

During the interview, Molina Sobrino also underscored the potential of the entire southeastern region as an investment core.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The southeastern area has to be "worked rationally." He added: "I believe the entire southeastern region, not only Chiapas, but also Quintana Roo, Campeche, and Yucatan, has a great deal of potential for investment. The region has some of the country's largest reserves—excellent tourism sites—to strengthen its economic situation. Tourism is going to be one of the largest generators of foreign exchange in the country. We also have enormous amounts of land, not only for planting but also for forestry."

The businessman, who is originally from Yucatan and has invested heavily in tourism and soft drinks in Merida and Cancun in the past two years, stated: "The southeast has never been worked rationally. First, because it lacked communications and second, because of the regionalist idiosyncrasies. Such a situation has prompted a culture of marginality. The center did not invest either, and I do not know why."

Detained U.S. Soldier Accused of Taking AK-47's to EZLN

PA2912203494 Madrid EFE in Spanish 1933 GMT 29 Dec 94

[FBIS Translated Text] Mexico City, 29 Dec (EFE)—A U.S. soldier has been detained in Tijuana near the border with the United States after he was found to be in possession of several rifles reportedly destined for the Zapatist guerrillas in Chiapas, according to police sources.

Carlos Argumedo, spokesman for the Judicial Police in Baja California, today told EFE that U.S. Marine Jackson Lee Rapacilo was detained Saturday after firing on a Mexican police officer in Rosarito, Baja California.

The police have asked the Attorney General's Office to intervene in the case. A search of the soldier's vehicle revealed five AK-47 automatic assault rifles, ammunition, supplies, and field equipment. During interrogation, Rapacilo said he had robbed a bank in San Diego, near Mexico, to get money to buy the rifles, which he said were intended for the Zapatist guerrillas in Chiapas, some 4,000 km away from Tijuana.

The soldier is being held at the Tijuana public prison while his possible connections to the Zapatist National Liberation Army [EZLN], which staged an armed rebellion against the government in January, are being investigated. The U.S. Embassy in Mexico has not commented on the incident.

Foreign Secretary Asks U.S. To Stop Anti-Mexican 'Abuses'

PA2912162494 Mexico City LA JORNADA in Spanish 28 Dec 94 p 11

[Report by David Aponte]

[FBIS Translated Text] Foreign Secretary Jose Angel Gurria has announced that the Foreign Relations Secretariat has asked the U.S. State Department to "fight" abuses being committed by Border Patrol agents and U.S. police officers against Mexicans who live in U.S. territory, especially in California, and to make "reparations."

He noted: The U.S. Government has the right to implement immigration laws, but this does not mean it can violate the human and labor rights of fellow Mexicans, regardless of their immigration status.

The Foreign Secretariat has asked the U.S. Government that whenever abuses are committed against Mexicans, reparations be made promptly. In all cases, responses must be made at the federal level, because the state of California has no "authority to stop immigration."

The secretary spoke about the migration issue and the impact of Proposition 187, which was approved in California in the first week of November, on relations between the Mexican and U.S. Governments.

He explained: The controversy involves a group of California politicians and former conservative officials, "and despite this unfortunate tension concentrated at the California state level, the dialogue" between the two federal governments "has never suffered."

Gurria said migration has been a source of conflict and tension in bilateral relations because of abuses committed against Mexicans who either live in or travel to the United States.

The "notorious" Save Our State initiative increased social tension because of the anti-immigrant and anti-Mexican campaign that emerged in California.

"What has happened?" Secretary Gurria asked. "It happened that Washington and Mexico City painstakingly condemned the measure, which could remain suspended for up to three years," he said.

The foreign secretary noted that since the first quarter of 1994, from the election campaign onward, Ernesto Zedillo's team has been waging a struggle against Proposition 187. According to Gurria, the Foreign Relations Secretariat was aware of the problem long before the public knew about it.

Weeks before his appointment as head of the Foreign Relations Secretariat, Gurria told a group of academicians and experts on international affairs that "if Proposition 187 is approved, a very delicate situation will arise."

He added: "First, the initiative is creating a climate of social tension, and the Mexicans are the ones most negatively affected by it. This climate has extended beyond the border. Protests by Mexicans within Mexico have made the tension evident. Second, there is the risk that election-related demagoguery in California could

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

extend to other states and that restrictions against Mexicans in the United States may become commonplace.

"Third, the risk of friction at the federal level between the two nations is increasing. The proposal will lead to a climate of tension, suspicion, and accusations that apparently had been overcome. For example, accusations by children against undocumented parents will be considered."

More recently, as chief of Mexico's diplomacy, Gurria said his office has followed up on the problem and that the governments of Mexico and the United States have "isolated" the impact of the Californian initiative. In other words, bilateral relations have not suffered.

"The valuable lesson learned in recent years is that, given the intensity, richness, and complexity of relations, neither the United States nor Mexico can afford to stop working on other issues because of tensions in one area," the secretary said.

The Mexican Government has acknowledged the fact that Proposition 187 cannot be blamed on the White House and that Washington has the right to establish immigration laws and to enforce compliance with these laws.

Secretary Gurria added: "Nevertheless, we demand that while implementing these laws, neither the human nor labor rights of our countrymen be violated and that, when such cases arise, they be corrected and reparations be made promptly. This should be done at the federal level and not by the people in California, because they have no authority to stop immigration."

At the beginning of December, within the framework of the Miami Summit, Gurria held a working meeting with key Clinton administration officials to discuss the immigration issue and the effects of Proposition 187.

Free Trade Accord With Costa Rica Takes Effect 1 Jan

PA2912195294 Mexico City EL FINANCIERO in Spanish 28 Dec 94 p 13

[Report by Gorgina Tristan]

[FBIS Translated Text] Figures released by the Secretariat of Commerce and Industrial Development (Secofi) have shown that, beginning on 1 January 1995, the free trade agreement signed by Mexico and Costa Rica will translate into a potential $9 billion market for domestic exporters.

Secofi noted that exports will become the foundation for the country's economic growth within the next few years. This is why the current administration will work to boost foreign sales. Secofi also noted that 70 percent of nonagricultural Mexican exports will be exempt from tariffs starting on the day the treaty with Costa Rica goes into effect, adding that 20 percent more will be free of tariffs in five years, while the remaining 10 percent will be free of tariffs in 10 years.

Cucumbers, chick peas, plums, peaches, cherries, apples, canned tomatoes, pickled asparagus, fruit preserves, tomato juice, and grapes are among the agricultural products that will have tariff-free access to the Costa Rican market.

Secofi explained that the agreement is designed to make the two nations grow and establish solid foundations for other treaties that first encourage an economically competitive Central American region and then a commercially united America.

The free trade agreement signed with Costa Rica grants free access to those products in which Mexico has proven its high competitiveness at the international level—products such as synthetic fibers, tractors, steel pipes, auto parts, washers, computers, sheet glass, telephones, radios, recording equipment, tape recorders, and others.

Meat, pork, roses, chrysanthemums, grains, oilseeds, oils, cocoa, and chocolates are among the products whose tariffs will gradually be lifted. As for sugar, Costa Rica will be able to export this product to Mexico under preferential treatment only in those cases when domestic demand cannot be met.

Coffee, plantains, milk, cheeses, and poultry sausages were excluded from the system of preferential tariffs. Washing machines, textiles, and clothes, among others, are the products whose tariffs were reduced the most.

Meanwhile, 75 percent of Costa Rican exports to Mexico will be free of tariffs on the day the treaty is implemented, 15 percent of its products will be exempt from tariffs in the fifth year, and the remaining 10 percent in the 10th year.

The negotiations for the signing of the Mexican-Costa Rican free trade agreement lasted 31 months, from August 1991 to March 1994. The two countries signed the treaty in April 1994. This treaty is the second such treaty signed with Latin America, following the signing of a similar treaty with Chile. The agreement covers 11 topics and comprises 19 chapters.

In terms of place of origin regulations, also known as changes in customs duties classification and/or regional contents requirements, it was established that 50 percent of these will be estimated using, in most cases, the transaction value method.

Special place of origin regulations were drafted for the chemical, plastics, textile, steel, copper, and aluminum industries. In addition, a committee in charge of evaluating supply capacity for these products will be created to make these regulations more flexible in the future.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Regarding the agricultural sector, immediate access will be allowed to all products that have export potential. The subsidies for exports of these products must be eliminated in January 1999 or when the product is freed from tariffs.

As for government purchases, the guidelines necessary to control the bidding processes for the two governments to acquire goods and services, beginning with the principle of nondiscriminatory treatment and the honesty of the purchasing principles, were outlined. Tariffs in this area will be gradually lifted within 10 years.

All services are included in this treaty, except for those that the two governments offer directly, and except for air, commercial, and financial services. Moreover, the pact will protect well-known brands by canceling registrations of comparable or knock-off brands while retaining registrations of those that were registered first.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

El Salvador

Background to PDC Internal Split Discussed

95P20325A San Salvador EL SALVADOR PROCESO in English 30 Nov 94

[Published by the Central American University's Center for Information, Documentation, and Research Support; received via Internet: CENTAM-L]

[Text] On November 27, the Christian Democratic Party (PDC) elected the members of its three leadership committees, as well as the Secretary-General. With the election of these new authorities, the internal split between the so-called "Abrahamcistas" and "Fidelistas" was perhaps irrevocably sealed. The latter stage-managed the entire event -and its results- given the former's threats to form a new party and leave the "shell" of the PDC in the hands of the "Fidelistas" [sobriquets are derived from the first names of the leaders of the two factions].

The confrontation between the two sectors of the Christian Democrats is nothing new, and has its antecedents in the fights between Fidel Chavez Mena and Julio Rey Prendes, and between the "clique" and the "anti-clique." The differences came to light in 1986 and 1987, leading in 1988 to a second split in party ranks, producing a new party led by Rey Prendes, the Authentic Christian Movement (MAC). The first split was in 1980, when key leaders of the PDC youth founded the Social Christian Popular Movement (MPSC), which joined the FDR.

The third rupture began to show following the March-April national elections, when confrontations between "Fidelistas" (many of whom were busy in the Chavez-Rey Prendes fights in 1988) and the "Abrahamcistas" (many of whom were on Rey Prendes' side back then) began to sharpen, leading to a virtual rupture, as the November events show. The fights have included mutual disqualification and completely counterposed views.

On November 11, nine of the 17 PDC legislative deputies declared themselves "in rebellion" against party authorities. One of the "rebels," Roberto Viera, said the PDC used to have a distinguished record as an opposing force to dictatorships, and that role should be maintained today; however, he argued, the PDC's current authorities, headed by Ronald Umana, were making deals with ARENA [Republican Nationalist Alliance]. "We will not become an appendage of the official party."

Four days later, PDC deputy Miguel Espinal was replaced by Melida Villatoro as head of the PDC's legislative bench; she claimed that Espinal "declared himself in rebellion against the institutional position, and from that moment on he was unable to carry out the political positions of our party." Espinal refused to acknowledge the replacement, arguing that "the competent authority for appointing or removing the head of the legislative bench is the national directorate, and as long as no ruling is issued, I will not acknowledge the change."

On November 20, the "Abrahamcistas" accelerated the tendency toward a split in the PDC when, in a party meeting called by that sector, they proposed the creation of a new party with social Christian ideals. During the meeting, Viera explained that the reason for calling the rank and file to the meeting was to determine the direction they would take in response to the "Fidelista" deputies, who had allegedly sold the party out to ARENA. Espinal, who had just been replaced by Villatoro, said the seven "Fidelista" deputies are loyal to the eighth floor of the legislative building (where the president of the legislature, Gloria Salguero Gross, has her office).

On November 24, the former head of the legislative bench, Miguel Espinal, said the creation of a new party -the Social Christian Renovation Movement- was inevitable, after hearing the "Fidelistas" reject a negotiated solution to the party's internal problems. "We will not renounce social Christian principles, we will not renounce our political principles nor the social Christian ideology," said Espinal. He also said that since there were two competing strategies within the party, one which was subordinated to ARENA and the other in favor of emancipation, the Social Christian Renovation Movement had emerged. This movement, he said, would for the time being seek to unify the rank and file, who would decide whether or not to keep the name.

On November 27, the rupture in the Christian Democratic ranks was consummated with the election of party youth leader Ronald Umana as Secretary-General and head of the Political Commission. With Umana's election for a two-year term, as well as the election of the members of the Permanent Political Commission, the Honor Tribunal and the Electoral Committee, the "Fidelistas" took control of all the party's organizational structures. Thus, they have probably definitively closed off any chances of an internal agreement with the "Abrahamcistas," who appear to have no other choice than to move ahead with the creation of the Social Christian Renovation Movement.

The triumph of the "Fidelistas," and the subsequent marginalization of the "Abrahamcistas," probably means that an old struggle within the ranks of the PDC has drawn to a close. Of course, not all of those who make up the "Fidelista" group are the same "Chavistas" and "anti-clique" forces of the past; nor are all the "Abrahamcistas" the same as the "Rey Prendistas" or "pro- clique" forces which emerged in the second half of the 1980's. In fact, it seems that the "Fidelistas" are far behind many of the modernizing and anti-bureaucratic ideals of the earlier "Chavistas," and are trying hard to form their own "clique." Meanwhile, the "Abrahamcistas" appear to be struggling for a very necessary political-ideological redefinition of the PDC, aimed at recovering

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

not only the tradition of popular commitment which characterized the party in the 1970's, but also to update that tradition in a political climate dominated by the right and in which the opposition role is legitimately held by the FMLN.

Putting aside the reciprocal charges which have been flying between the two factions—that one has sold out to the ARENA or that the other has sold out to the FMLN—there is no question that the PDC is far from becoming the key opposition force it was in the past. This is not only due to its internal exhaustion, discredit, corruption and internal crises which have been coming to light ever since the party willingly became part of the U.S. counterinsurgency strategy of the 1980's; since the war ended, most of the political space available for the opposition has been occupied by the FMLN. Thus, the pretension of making the PDC a nucleus of political opposition is not only anachronistic, but also naive if we take a realistic look at the recent past of the institution, the composition of its leadership structures, its way of resolving internal disputes, its ability to get out the vote, and the current national political climate.

The PDC began to betray its ideals and its identity when ambition for power became an insatiable goal of its leaders. The power it won ended up weakening and corrupting the party. As things stand, the PDC could, at best, end up being just one more party in the political spectrum, reproducing itself by inertia. At worst, it could follow in the steps of the PCN [National Conciliation Party], subordinating itself to ARENA, and die a slow but inexorable death as a political institution. The other alternative, which has been rejected by the party's current leadership, presupposes the realistic search for an alliance with the FMLN and other opposition parties, with the goal of building a political coalition with a broad electoral following.

Guatemala

President Doubts Warning of Possible Upheaval

PA2912170394 Paris AFP in Spanish 1616 GMT 28 Dec 94

[By Gonzalo Marroquin]

[FBIS Translated Text] Guatemala City, 28 Dec (AFP)—In response to the fear voiced by the Catholic Church, President Ramiro De Leon Carpio has predicted a "peace upheaval" for Guatemala in 1995. The church has warned that because of the poverty facing the nation, a "social upheaval" could be in the offing at the end of a year the president has described as "positive."

President De Leon said the "upcoming year will be one of dialogue, reconciliation, and peace," and he predicted that the peace upheaval will occur once an agreement to end the armed conflict with the URNG [Guatemalan National Revolutionary Unity] is signed, but he did not say when this might be.

De Leon Carpio told AFP that 1994 showed a "positive balance" for his government, and he noted, "we Guatemalans successfully rescued our institutions," adding, "the Constitution was reformed, and this led to the establishment of a new Congress and a new Supreme Court of Justice."

As for the peace talks held with the guerrillas, De Leon assured: "our determination to achieve peace was reconfirmed"—adding: "our peace plan centers on three goals: achieving reconciliation, fighting poverty, and ending war."

As for human rights, for which the De Leon government has been harshly criticized by international organizations, he simply replied that "respect for economic, social, and cultural human rights continues to be a great challenge," and he stressed that his administration has shown respect for freedom of the press and freedom of expression.

"I have dedicated my best efforts to fighting poverty," De Leon explained, and he listed the programs that exist in the country. Despite these programs, however, the Church fears there could be a social upheaval next year. The bishops voiced this fear last week in a Christmas message.

It is estimated that eight out of every 10 Guatemalans live in poverty or extreme poverty. The bishops described the neoliberal measures imposed by the government as "dangerous" because they affect the poorest people. Last night, the president delivered a message to the citizenry over a radio and television network in which he underscored the "achievements" of his administration.

Ombudsman Notes Violations of Mayan, Human Rights

PA2912192394 Guatemala City SIGLO VEINTIUNO in Spanish 28 Dec 94 p 43

[FBIS Translated Text] The flagrant violations of human rights and the rights of the Mayan people—particularly the rights to associate, to mobilize, to gather peacefully, the freedom to meet, and the Overall Agreement on Human Rights—are part of the state and Army policy if militarization and repression continue.

The Maya ombudsman [defensoria Maya] has made this statement regarding acts of intimidation and repression by Army personnel and leaders of the self-proclaimed Civilian Self-Defense Patrols, PAC, against residents of San Miguel Uspantan, Quiche, and the hamlets of Pacoral, Tecpan Guatemala, and Chimaltenago.

The Maya ombudsman added that what makes the situation serious is that the civilian and commissioned patrolmen have shown themselves to be arrogant, and blindly obey the Army despite the fact the UN Mission in Guatemala, Minugua, is still here.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

These actions continue to divide and confront our communities and serve only to show the Army's true intent—the Maya ombudsman said. He said that when the Minugua representatives announced their arrival, Army personnel entered the communities and summoned civilian and commissioned patrolmen to give them greater control over residents.

Likewise, he said the Army has told patrolmen in certain communities of Chichicastenango that they should not execute anyone now because of the arrival of Minugua but should instead wait for orders on when to go into action.

True peace does not arrive by instigating violence, much less by accusing those struggling for human rights of being extensions of guerrillas.

The ombudsman said the government and the Army should show political resolve to change the repression and the constant insecurity, intimidations, threats, and other violations of human rights of which we are a daily target.

Panama

Cuban Exile Reports Agents in Rafter Camps

PA2912155394 Panama City Circuito RPC Television in Spanish 2300 GMT 28 Dec 94

[Report by Abdiel Antonio Gutierrez; from the "RPC Television News" newscast]

[FBIS Translated Text] Cuban Raymond Molina, who represents the Cuban Unity exile movement, has reported that a number of Fidel Castro's agents are promoting disorder and chaos at the Cuban rafter camps in Panama. Molina met with the media to explain his views on Cuban issues and on the situation his fellow nationals are facing at the refugee camps located at Empire Range, Panama, and Guantanamo, Cuba.

[Begin Molina recording] The Panamanian Government took a humanitarian position, and I believe it is a correct position, because the Geneva agreements stipulate that refugees cannot be returned to their countries of origin. [end recording]

Molina accused Castro agents of instigating the recent riots at the camps.

[Begin Molina recording] A small number of individuals within the group of rafters are agents from Castro's government and are constantly calling the Cuban Embassy to receive orders. They are instigating problems to create a negative image of the rafters' cause. It is important for the rafters at the camps to understand that they must heed these agitators and that all programs to incite unrest and confront U.S. authorities serve only to weaken their cause. We want them to understand that if certain DGI [General Directorate of Intelligence] agents living at the camps incite them, they must report those people. I am not involved with the intelligence community, but because I speak with the rafters, I do have information from the rafters themselves. I know that many of them are calling the Cuban Embassy. [end recording]

Foreign Ministry Views Position on Rafters

PA2912153994 Panama City EL PANAMA AMERICA in Spanish 29 Dec 94 p A-4

[Report by Arnulfo Barroso Watson]

[FBIS Translated Text] The Ministry of Foreign Relations yesterday rejected a petition filed by the Panamanian Human Rights Committee (CPDH) for Panama to take legal control over the 400 Cuban rafters that the U.S. Southern Command has placed in confinement since 8 December for instigating violent disturbances. Meanwhile, exiled Cubans held a news conference in Panama City to report that next month they will conduct a campaign in U.S. courts to get the United States to accept 800 rafters in each of its 50 states.

Acting Foreign Minister Omar Jaen said the agreement signed by Panama and the United States on the rafters "clearly states" that the U.S. Army is responsible for keeping order at the camps. "For the time being, we refuse to interfere punitively or judicially, because this does not concern us. We want to remain uncommitted on the matter because we refuse to complicate an issue that must be resolved within the next few months," Jaen maintained.

He stressed that the Panamanian Government remains firm in its position of not extending beyond 3 March the stay of the approximately 9,000 Cubans being lodged along the banks of the Panama Canal.

Meanwhile, Raymond Molina, a Cuban Unity spokesman, said that beginning 3 January 1995, his organization "will exert the necessary pressure" on the United States to ensure that it will take in the Cuban rafters living in Guantanamo and Panama. Cuban Unity, an organization that brings together some 150 groups of Cuban exiles in North America, is waiting for the U.S. 11th Circuit Court to render a decision on a motion it filed to define the rafters' immigration status.

Government 'Passivity' on Rafters Issue Noted

PA3012041294 Panama City EL PANAMA AMERICA in Spanish 29 Dec 94 p A6

[Editorial: "Rafters and Human Rights"]

[FBIS Translated Text] Charges by the Panamanian Human Rights Committee [CPDH] regarding the situation of the Cuban rafters should encourage us to reconsider Panama's stand in a conflict that every day beleaguers our commitments as a sovereign state that is a

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

signatory of national and international agreements with which compliance is obligatory.

It has been said that the agreement with the United States is based on humanitarian principles that call for giving temporary refuge to Cuban fugitives of the Communist regime. This was the intention, but the result has been different, for various reasons. The bilateral agreement did not take into consideration the fact that the majority of the Cubans reject the condition that they must return to Cuba before their requests for documents can be processed.

The Panamanian Government—like the refugees—was startled by this sudden change in U.S. immigration policy, which prompted the acts of violence at the beginning of the month. This is not all. The Panamanian Government does not know what kind of people it has received in our territory—whether they are honest people, or derelicts, or infiltrated political agitators. As far as we know, the government has done nothing to identify the Cubans based on its own immigration regulations, and it has not demanded the implementation of international UN norms to give them the status of exiles or refugees.

The CPDH has a well-founded reason for bringing to the attention of the Panamanian Government its inexcusable passivity on an issue that involves it. A Foreign Ministry that has so many advisers should have cited international laws on human rights in the provisions of the rafters agreement; and based upon the experience of having studied this issue, it should have evaluated whatever responsibilities are inherent to the acceptance of fugitives.

Strengthening the ties with a friendly government that is also our partner in the administration of the Canal is a reasonable objective. However, this goal could be reconciled with the preservation of responsibilities by the Panamanian State, as a signatory of those local and foreign commitments—which we could not give up without hurting our sovereignty.

The fact is that the lack of forcefulness in this agreement has disastrous results for Panama. We are the stage for serious conflicts that have nothing to do with our decisionmaking ability. We lack the initiative to resolve this conflict. Human rights organizations are questioning the government's indolence and are demanding an active participation in a crisis that cponcerns us. Everything began when the national government agreed to a loose interpretation of treaties that were conceived solely to guide the administration and ownership of the canal. Whatever starts off wrong ends up wrong.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Argentina

Poll Shows 19-Point Menem Lead Over Massaccesi

PY3012003894 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1055 GMT 29 Dec 94

[FBIS Translated Text] Buenos Aires, 29 Dec (NA)—According to a poll conducted by the Mora y Araujo y Asociados Company, 41 percent of the people polled intend to vote for [Justicialist Party presidential candidate] President Carlos Menem and 22 percent of the people polled intend to vote for UCR [Radical Civic Union] presidential candidate Horacio Massaccesi.

The poll also indicates that 12 percent of the people polled intend to vote for PAIS [Open Politics for Social Integrity] leader [and Mendoza senator] Jose Octavio Bordon, and 11 percent intend to vote for [Grand Front leader] Carlos "Chacho" Alvarez.

According to the poll, 2 percent of the people polled intend to vote for MODIN [Movement for Independence and Dignity] candidate Aldo Rico and 1 percent intend to vote for [Autonomous Party of] Corrientes [presidential] candidate Jose Antonio Romero Feris.

If there is a runoff election, Menem and Massaccesi would receive 46 and 36 percent of the votes, respectively.

The same polling company had pointed out last week that, if a runoff election takes place, the difference between Menem and Massaccesi would barely be 2 percentage points (37 versus 35 percent).

If there is a runoff election between Massaccesi and Bordon, Massaccesi would receive 41 percent of the votes and Bordon would receive 33 percent of the votes.

If there is a runoff election between the chief executive and the Grand Front leader, 48 percent of the people polled intend to vote for President Menem and 30 percent intend to vote for "Chacho" Alvarez.

The poll also indicates that, if there is a runoff election between the UCR candidate and the Grand Front leader, 46 percent of the people polled intend to vote for Massaccesi and 29 percent of the people intend to vote for "Chacho" Alvarez.

If there is a runoff election between Menem and Bordon, 46 percent of the people polled intend to vote for the Justicialist Party candidate and 32 percent intend to vote for the Mendoza legislator.

Brazilian Paper Interviews Economy Minister

PY2812011894 Sao Paulo FOLHA DE SAO PAULO in Portuguese 26 Dec 94 Section 1 p 4

[Interview with Economy Minister Domingo Cavallo by Sonia Mossri in Buenos Aires; date not given]

[FBIS Translated Text] [Mossri] On the eve of the implementation of the Mercosur [Common Market of the South], Brazilian businessmen are apprehensive about the eventual devaluation of the Argentine currency. Will there be changes in the exchange rate policy?

[Cavallo] Absolutely not. We have a very strong monetary, exchange, and fiscal system that is going to demonstrate its strength at precisely the time of that external blow and uncertainty that appeared in the form of the devaluation of the Mexican currency.

[Mossri] Are you not concerned about the increase of Argentina's risk rate on the international market?

[Cavallo] The increase of Argentina's risk rate on the international market that has occurred during the last quarter of 1994 was the result of a bad interpretation of the vehemence with which we are fighting increases in supplementary expenditures in 1994.

I am convinced that foreign analysts, and some Argentine analysts as well, became alarmed with the emphasis that we used when we condemned the increase in budget expenditures, and they said it was a demonstration of the weakness of the Argentine economy.

And it is all to the contrary. This demonstrates that in Argentina the problems are detected early, and that is why they are resolved.

[Mossri] Several economists stress that the overvaluation of the currency presumably amounts to 100 percent.

[Cavallo] The evaluation that has been made of the parity based on the price index is not a good one. In an economy that is being totally reorganized, the cost of living index does not reflect the changes in the prices of the inputs.

Many production costs have been reduced due to the deregulation. Four years ago the port of Buenos Aires cost double the price of the port of Santos. Today it costs 70 percent, and with the changes, it is predicted that the cost will fall to 50 percent.

[Mossri] Could not Argentina adopt an exchange rate band and have the peso oscillate between a minimum and maximum relative to the dollar?

[Cavallo] No, because an exchange rate band creates uncertainty. Of course, in Brazil's case, when it launched the Real Plan with an election not very far off, it could not assume a very firm commitment.

[Mossri] Opposition economists such Roberto Frenkel of the UCR (Radical Civic Union) forecast a recessive scenario due to a reduction in tax collection and an increase in interest rates on the international market.

[Cavallo] Any international adversity such as an increase in interest rates or a shock wave such as the one that occurred in Mexico obviously has its impact on the

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

economy. It is not a consequence of the economic policy that is being implemented; it is a consequence of a shock that comes from abroad.

An economic policy that is causing the country to grow by 7 to 8 percent a year is not recessive. The economic policy implemented by Alfonsin (Raul Alfonsin, a former Argentine president) was recessive, and Frenkel was one of his advisers.

[Mossri] Jose Serra, planning minister of the [Brazilian] president-elect, FHC [Fernando Henrique Cardoso], met recently with Frenkel for 2 days in Buenos Aires.

[Cavallo] I hope that it was merely an academic visit and not a visit to discuss practical policies. And, I hope that people in Brazil take no notice of Frenkel.

[Mossri] How do you evaluate the social cost of the economic program during an election year?

[Cavallo] In the first place, the number of poor people has decreased since we took office. During the period of hyperinflation, 37 percent of the households were below the poverty line. That is easily observed. The maids who work in Buenos Aires homes now are mostly immigrants.

The great challenge is that of creating jobs so that the Argentines and the immigrants can work and prosper in Argentina.

[Mossri] How can that be done? President Menem has promised to build 300,000 houses for people per year if he wins a second mandate.

[Cavallo] Congress has approved a law that has lowered and deregulated construction production costs and it makes assuming a mortgage loan or debt much easier. This will create a market for the financing of housing for the population.

[Mossri] How many jobs will be generated with that program?

[Cavallo] We have calculated that the program can generate 200,000 direct and indirect jobs per year. This is a lot for Argentina. The population that is economically active amounts to 13 million persons, and the population increases by 1.5 percent per year.

But, what is happening today is that the population that is economically active increases by 3 percent per year, in other words, we are incorporating nearly 600,000 persons a year.

[Mossri] Do you get irritated when it is thought that top members of the Justicialist Party (the governing party) ostensibly would not like you to appear during Menem's reelection campaign?

[Cavallo] They are mistaken. They should look at the opinion polls and my margin of popularity as a minister. President Menem and myself are, without a doubt, the two most popular persons within the government. The leaders who want me out of the campaign are those who are accustomed to the old type of politics that we call "the clique" that came about due to agreements between leaders.

[Mossri] How can you be popular if you are against increases in pensions and increases in expenditures?

[Cavallo] After Argentina suffered from hyperinflation, the ideas that politicians said were unpopular suddenly turned out to be popular.

[Mossri] Are you thinking of becoming a presidential candidate?

[Cavallo] In the medium term my role is to be the economy minister. I will continue to be economy minister if Menem wins the elections.

I prefer not to talk about political aspirations because they can affect the role that I have to play now.

[Mossri] But could you become a candidate in 1999?

[Cavallo] If circumstances and people demand a person like myself. Most likely that will not happen.

At this time, I have many more protagonists than I will have in the next four years. If within four years Argentina has the need of a great determination to continue resolving profound problems, there could be possibilities for someone like myself.

Envoy to UK Interviewed on Falklands, Fish, Oil

PY2412010994 Buenos Aires LA PRENSA in Spanish 21 Dec 94 p 3

[Interview with Rogelio Pfirter, newly appointed Argentine ambassador to the United Kingdom, by Ana Gerschenson; place and date not given]

[FBIS Translated Text] [Gerschenson] Do you believe, as Foreign Minister Guido Di Tella does, that the Malvinas Islands will be recovered in 1997?

[Pfirter] We can be optimistic over the fact that the various policies that we have presented will yield basic advancements—within a time span that may include 1997, 1998, or 1999. I actually don't understand how some people can reject this possibility. There has indeed been progress.

[Gerschenson] During the last meeting over fishing issues, the Argentine delegation walked out because no agreement was reached. How does this issue fare?

[Pfirter] We do not have any agreement. We therefore decided on our own to establish a 200,000 metric ton catch limit for next year.

[Gerschenson] The negotiations are over, then?

[Pfirter] For the time being, there are no fishing negotiations with the United Kingdom, nor have any negotiations been scheduled for the near future.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Gerschenson] Now it is the United Kingdom's turn to ask to sit at a table...

[Pfirter] Of course, it is not Argentina's turn.

Oil

[Gerschenson] And what will happen in March when the Malvinas Islands inhabitants call an oil bid?

[Pfirter] I am not so sure that it will be in March. We trust that the United Kingdom will not take any unilateral steps before making every effort to achieve an agreement with Argentina.

[Gerschenson] But the islanders have already drawn up their own oil law...

[Pfirter] We believe it would have been advisable not to reach this point, but it would indeed be very serious if exploration was carried out without reaching an agreement with Argentina. As long as there are no irrevocable unilateral steps, there is a possibility of achieving an agreement.

[Gerschenson] I am under the impression that the British Government has one stance—a more open one—while the islanders, who apparently are less inclined to negotiate on this issue, have another...

[Pfirter] It is obvious that the United Kingdom, as a government, is more conscious of its huge responsibility on this issue. We trust that the British Government will talk to the islanders and manage to get them to accept the advantages of reaching an agreement with Argentina.

[Gerschenson] In other words, to convince them...

[Pfirter] (nods) I am sure there is an exchange in which the British Government gives its opinions.

[Gerschenson] Are you thinking of establishing a binational agency?

[Pfirter] We are talking about a binational mechanism to decide what will happen with the oil under dispute. We have to find a solution. Establishing a binational mechanism is one of the ways of solving this problem.

[Gerschenson] And how will the royalties be distributed?

[Pfirter] These issues must be studied, but you will allow me not to be more clear on this issue, as I believe it is advisable to keep the confidentiality of the talks...

[Gerschenson] When Di Tella says that if an agreement is not reached he will resort to the international courts, is he talking about The Hague or the United Nations?

[Pfirter] If an agreement is not reached, there are a number of legal possibilities for the Argentine Government to file actions against the companies and against the British Government itself. I would not like to advance an opinion on this situation. If the problem remains, the international law and the United Nations Charter offer a wide range of mechanisms to settle disputes...

[Gerschenson] What other responses would be following?

[Pfirter] There are political and legal responses. I would prefer not to speculate on what would happen if we are not successful.

Intelligent Solution

[Gerschenson] Are you considering the possibility of proposing a lease [preceding word in English], as the United Kingdom has already done with Hong Kong?

[Pfirter] Concerning the solution to this problem I believe there are a number of possible alternatives and mechanisms to ensure transferring full sovereignty to Argentina. This point will have to be cleared when the two sides sit down to negotiate.

[Gerschenson] But the Foreign Ministry does not reject this solution...

[Pfirter] There are a number of possible alternatives. Any intelligent solution cannot be rejected.

[Gerschenson] Do you believe the return of Hong Kong is decisive for the negotiations over the Malvinas Islands?

[Pfirter] I believe the return of Hong Kong has demonstrated that it is possible to solve historical claims by observing the legitimate rights of the countries entitled to these territories, and make arrangements for a civilized transition. This is very important.

[Gerschenson] Did Ambassador Mario Campora make a mistake?

[Pfirter] Ambassadors represent presidents. Presidents are in the best position to pass value judgments on the way in which ambassadors perform.

Iranian Warns of Possible Attack on Jewish Target

PY2912140094 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0316 GMT 29 Dec 94

[FBIS Translated Text] Buenos Aires, 28 Dec (NA)—An Iranian citizen, whose testimony is included in the AMIA [Argentine-Israeli Mutual Association] bomb attack case being heard by Federal Judge Juan Jose Galeano, tonight warned about the good possibility of a third bomb attack in Argentina against a Jewish target, and said that the local authorities have not yet adopted the necessary measures to prevent it.

The so-called "Witness A," who said he had warned about the bomb attack against the AMIA, which resulted in 87 deaths, four months before it happened, said that "everything indicates a third" attack is being planned by

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Iranian fundamentalist groups, but that the measures that have been taken to prevent it are "incorrect."

The witness also said that the material author of the attack against the Jewish organization "is the same one" who perpetrated the attack against the Israeli Embassy, and identified him as Carlos "the Iranian," whose true identity is Emar Mohamid [name as received].

The witness said that Judge Galeano as well as the officials in charge of investigating the AMIA attack "assess the information they obtain and act, but they are taking the wrong paths."

"Witness A" explained the reason for appearing on the television Channel 9 program "Memorias" by saying that he wanted to "prevent a third attack that would harm both Argentine society as well as my country."

The witness identified himself as a member of "a political group with some of its members in (Iranian) government posts who do not agree with the foreign policy" implemented by that country.

He asserted: "We are waiting to take over power, and want to prevent these kinds of attacks by supplying the information from abroad to prevent them from happening again."

Although he explained that "four months before" the AMIA attack he had personally informed Argentine officials about the possibility of its happening, he refused to identify whom he had warned, because he was not "authorized" to provide that type of information.

He also criticized Judge Galeano's determination to find out about a possible "Argentine connection" in the attack on the AMIA, and said that that is "not enough, because it will not prevent a third attack."

The witness said: "We are aware of similar or identical movements as those that took place before the attack on AMIA. But it seems that (the officials) do not understand the international conflicts in the Middle East."

Regarding the possible "Argentine connection," the witness asserted that it must involve "one or two people," and noted that the arrest of the possible local aides "is not enough to avoid a third attack."

He said there is "a formula and a person (who the Argentine investigators should contact) to avoid the third attack, but I cannot give any further explanations. All I can say is that the Foreign Ministry is a wrong alternative."

He said mysteriously: "The Middle East countries, especially those where fundamentalism exists, have their own rules of the game, and to talk with them, one has to act in a special way."

AMIA Urges Preparedness Against Possible Attack

PY2912225394 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1350 GMT 29 Dec 94

[FBIS Translated Text] Buenos Aires, 29 Dec (NA)—Elias Lisicki, the Argentine-Israeli Mutual Association (AMIA) first vice president, today emphasized that "it would be the height of ignorance and irresponsibility" if a new attack against Jewish community leaders or organizations is masterminded in the tri-border area shared by Argentina, Brazil, and Paraguay.

Lisicki emphasized that this stronghold, where a large Arab community lives, "should absolutely be under the control of the security and intelligence forces."

In this regard, Lisicki stressed: "It is hard to understand that people with sinister or terrorist interests are allowed to freely circulate in such a pinpointed area."

Lisicki also confirmed that it is necessary to keep "a so-called active memory" with respect to the terrorist attack carried out against the AMIA headquarters in July, in which about 100 people were killed, to cope with the possibility of a "trend toward forgetfulness" by society.

Lisicki made remarks over a radio station following a warning issued by an Iranian citizen, whose testimony has been included in the AMIA bombing case that is being heard by Federal Judge Juan Jose Galeano, to the effect that Iranian fundamentalist groups might carry out another attack against Jewish targets within the next three months.

The informer also noted that the local authorities have thus far not taken enough measures to prevent this attack.

The Federal Court has upheld the indictment and preventive custody of Carlos Alberto Telleldin, the only person detained in connection with the AMIA bombing. Telleldin was the person who sold the Traffic van used by the terrorists as a car-bomb.

Lisicki pointed out: "Unceasing information from various sources, warning about the possibility of new attacks, has been received since 18 July."

Lisicki added: "This contributes to the necessity of implementing preventive measures. I don't want to waste time in discussing the consequences of these warnings. When they are handled wisely, these warnings are useful and absolutely positive."

Concerning the activities of fundamentalists in the tri-border area, Lisicki said: "It would be the height of ignorance and irresponsibiilty if unfortunately—and God forbid—something abnormal happens and it is discovered that it was masterminded in that area."

In this regard, Lisicki stressed: "This area, so clearly pinpointed by everyone, should absolutely be under the control of the appropriate security and intelligence forces."

Lisicki emphasized: "It would be really unbelievable if a terrorist action is masterminded there after so many warnings."

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Lisicki confirmed that the AMIA "has not been, is not, and will not be an organization with expertise or a direct involvement in security and intelligence issues." He added: "The drama of the AMIA bombing unfortunately pushed us into this area, one that we quickly want to leave."

Security Measures for Jewish Property Continue

PY2912220494 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2050 GMT 29 Dec 94

[FBIS Translated Excerpts] Buenos Aires, 29 Dec (NA)—Chief Superintendent Adrian Pelacchi, the chief of the Federal Police, today confirmed that Federal Judge Juan Jose Galeano has drafted a report in which he mentions the possibility of another terrorist attack in Argentina, and stated that the force that he heads "permanently" maintains security measures on Jewish objectives. [passage omitted]

It was learned today that Judge Galeano, who is investigating the attack against the AMIA [Argentine-Israeli Mutual Association], sent a copy of the report to the presidency, the Federal Police, the Security Secretariat, and SIDE [Secretariat for State Intelligence] in which he warns that a "selective" attack could occur within the next 3 months. [passage omitted]

Referring to the judge's warning, Pelacchi said the police "have put everything they have at the service of the community, thus providing every protection and giving it—within what is humanely possible—every security guarantee."

He said that despite the summer vacations, the police will continue to guard Jewish schools and organizations that could be targets of new attacks.

"At no time have we thought of withdrawing our services. We are guarding an empty building and will continue to do so. We will continue to give a show of security," the police chief told a radio station.

Meanwhile, President Carlos Menem believes the AMIA case investigations "are going well," and stressed that the perpetrators and brains behind the brutal attack on 18 July 1994 will be found "very soon." [passage omitted]

Bolivia

'Drugs,' 'Dependency' Characterize Ties With U.S.

95WD0133A La Paz PRESENCIA in Spanish 5 Dec 94 p 5

[Article by Candido Tancara Castillo]

[FBIS Translated Text] Former Foreign Minister Ronald MacLean has cautioned that relations between Bolivia and the United States are growing steadily weaker and that the country has become more dependent on U.S. policy. In the view of the Foreign Policy Analysis Unit (UDAPEX) of the Foreign Ministry, relations "are excessively focused on the drug issue, in spite of the government's determination to alter this situation."

MacLean contends that Bolivia is becoming increasingly dependent because "we have lost our balance in foreign policy relations with Europe and Asia."

To Raul Barrios, the director of UDAPEX, the agenda of bilateral relations is "very hierarchical, and the potential diversity of issues is overshadowed by the drug-trafficking issue."

"The problem is not just the narrow focus of the agenda, which makes the bilateral relationship rigid. It also has to do with the nature of the dominant issue, because to the extent that drug trafficking is seen as a threat to security, dealing with it becomes strategic, and therefore everything else is boiled down to this key item in bilateral relations."

Barrios explains that because the United States sees drugs as a security issue, it tends to behave more inflexibly to safeguard its national interest, as in the era of the Cold War.

For this reason, he continues, "to the United States we are important in a negative sense, that is to say, because our countries are linked by a troublesome issue of enormous importance to its security policy." He considers it obvious that drugs are a stereotypical "negative" way for Bolivia to play an international role. "This path leads to our greater external vulnerability," he adds.

In this connection, according to Barrios, who noted that his assertions are personal, "to continue cultivating such a relationship creates problems for us, both in terms of our international role and in domestic politics itself. Our policy towards the United States has direct and immediate repercussions on Bolivia's political system and on relations between the government and the social organizations that are most concerned about the drug trafficking problem."

For all these reasons, according to the UDAPEX director, a fundamental task in our policy towards the United States must be to expand other areas of common interest, so that Bolivia's references to the United States are not solely about DEA agents and the United States' references to Bolivia are not just about drug trafficking. He therefore suggests that we proceed along a "positive path," which means structural reforms designed to strengthen democracy, embrace ethnic and cultural diversity, and plan sustainable development.

Other Fronts Lost

MacLean contends that bilateral relations have weakened and that our country is increasingly dependent on U.S. wishes. He also blames the current administration for having ignored the Asian and European foreign-policy fronts. In his judgment, if the previous administration's policy had been continued, the asymmetrical relationship with the United States would have been offset.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

"Our strategy (the government of the Movement of the Revolutionary Left, Nationalist Democratic Action, and Christian Democrats) was to diversify Bolivia's relations with strong countries as much as possible, with Europe and Asia, to offset the one-sided relationship with the United States," he added, indicating that greater multinational support is needed to combat drugs.

"The current administration has abandoned the European and Asian fronts," he added, contending that the current foreign minister, Antonio Aranibar, even made a swing through Europe without ambassadors.

MacLean thus feels that the country is missing "a great opportunity" with the international community, which has shown a willingness to tackle the drug problem. "We have lost the voice of our friends in Europe," he stressed.

U.S. Dissatisfied

The former foreign minister argues that in spite of everything bilateral relations could be much better, "but I sense and I see dissatisfaction in the United States with the Bolivian Government's failure to deliver."

Bolivia, he continued, "understood the 'zero option' as doing nothing. So, several agreements have not been complied with; no money is being spent, and relations have deteriorated," he added, suggesting that moves be made on international fronts, which could help the country in taking concerted, multilateral action in the struggle against drugs.

Nonetheless, he emphasized, "when plans for joint action have not been carried out, both sides will always be dissatisfied."

The Coca Culture and Decriminalization

Comparing the current and previous administration, MacLean says that Paz Zamora acknowledged the existence of a long-standing coca culture in Bolivia that the Americans no doubt do not care for but that is part of Andean culture. "We said that coca is not the same as cocaine. It was a reasonable approach. But today they are saying that coca is the same as cocaine, and thus the problem has worsened to the point that we are considered criminals," he noted.

In his opinion, the current administration perhaps wants to pursue a "policy of humoring" the United States. "Here lies the irony, because the Zero Option criminalizes coca and considers it the same as cocaine, and bilateral relations are worse," he asserted, indicating that decriminalizing coca ought to be taken up at the multilateral level.

In this regard, the U.S. ambassador to Bolivia, Curtis Kamman, has already voiced his doubts that his country will decriminalize coca. He said that coca is cocaine and poses a threat to every young person in the world. In contrast, MacLean's view is that the drug produced from coca is apparently less harmful to human health; this is why the upper echelons of society throughout the world find it appealing. He thinks that even if the drug produced from coca were to be eradicated, biochemists would develop synthetic drugs because high society needs drugs and does not care about cost.

Tradition and Negligence

The former foreign minister and member of the opposition Nationalist Democratic Action acknowledged that Bolivia has a tradition of negligence in establishing policies to battle drug trafficking. He notes that Congress has never bothered to pass legislation governing the arrival and stay of the U.S. troops that have come to fight drugs. He recalled what happened while he was in office: "When the military advisers arrived, all of the systems of communication were sluggish; there were no well run channels of information..."

"I proposed that once a year they (the U.S. Government) present their program of technical military assistance so that Congress could approve it. But no one took charge of the situation, and things are still being done informally, with sudden arrivals of U.S. troops," he said in conclusion.

Brazil

Cardoso Defines Central Nucleus of Government Team

PY2412015794 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 23 Dec 94 p A6

[FBIS Translated Text] Brasilia—President-elect Fernando Henrique Cardoso has already established his working routine, and has included on his agenda the most important members of the government team. Yesterday, for example, he worked at Alvorada Palace with ministers-designate Pedro Malan (Finance), Jose Serra (Planning), and Clovis Carvalho (Civilian Household).

This was the second part of a meeting that had started the night before. This meeting will have repercussions on the rest of the cabinet, as the structure of the government has not been entirely defined and can still be modified.

Serra, Malan, and Clovis Carvalho comprise, together with the future secretary general of the Presidency, Eduardo Jorge Caldas, the central nucleus of the government team. Excluding Malan, the other three aides will meet Cardoso every morning. In addition to Sergio Motta (Communications), they will be the most influential members of the team.

Article Views Formation of Cardoso Cabinet

PY2312152894 Rio de Janeiro JORNAL DO BRASIL in Portuguese 18 Dec 94 p 3

[By Ilimar Franco]

[FBIS Translated Text] Brasilia—Fernando Henrique Cardoso, who received his diploma as president-elect

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

yesterday, will officially announce his cabinet on 20 December and will demand that each member of his team follow strict rules of personal and administrative behavior. Following the installation ceremonies, each minister will receive a notebook of assignments, which will contain the work program to be implemented. Furthermore, they must all follow general rules of behavior that are specified in a second document, through which they will commit themselves to observing a code of ethics, to supporting unity within the government, and to defending the reforms designed to modernize the economy and political institutions. Cardoso will also recommend that they refrain from engaging in interministerial intrigues, in public disagreements, or in promoting personal projects.

When he started to form his team, Cardoso was willing to appoint a cabinet of Jatenes; that is, a cabinet of equals to Health Minister-designate Adib Jatene, who has excelled in his earlier undertakings. Two months and a few odd days since he started to engage in endless talks and consultations, with his team already virtually defined, Cardoso admitted on 16 December that he had not fulfilled his dream. In private remarks to his aides, Cardoso said: "I have appointed the cabinet I found it possible to appoint."

In setting out to choose his ministers, Cardoso was planning to appoint a team of unanimously approved candidates, of men who have been recognized both for their competence and prestige. Chosen during this stage of the selection process were Health Minister Adib Jatene, Social Security Minister Reinhold Stephanes, Justice Minister Nelson Jobim, Fiance Minister Pedro Malan, Education Minister Paulo Renato Souza, and Planning Minister Jose Serra.

Then, Cardoso began to worry about honoring some campaign commitments. First, he asked Luiz Eduardo Magalhaes (Bahia State), the PFL [Liberal Front Party] leader in the Chamber of Deputies, to join his cabinet, but Magalhaes chose to run for president of the Chamber. Cardoso also offered government posts to PSDB [Brazilian Social Democracy Party] President Pimenta da Veiga, to PFL President Jorge Bornhausen, and to PTB [Brazilian Labor Party] President Jose Eduardo Andrade Vieira. All three of them declined and chose to remain as president of their respective parties; in this capacity, they will serve as members of the Political Council. At the last minute, Andrade Vieira agreed to take up the post of agriculture minister at Cardoso's insistence.

Cardoso confided to some people that he believes he came short of achieving his objective to some extent because of what he described as the "lack of public spirit" of many of those he sounded out about assuming cabinet posts. Former Deputy Euclides Scalco, to whom Cardoso offered the coordination of social programs, and Finance Minister Ciro Gomes, who was given several options, including that of becoming the health minister, would be among those lacking public spirit. An adviser to Cardoso said: "Many candidates—whose names are only known to a few people—were not willing to roll up their sleeves." Low salaries, the fact that the ministers will be just implementing a previously outlined program, and the political risks involved in serving on a first cabinet—because they may be replaced later—have deterred many prospective ministers from accepting the offer.

Furthermore, Cardoso had to submit to the realization that, inasmuch as the reforms are his main goal, it would be paramount for him to count on congressional support and that, to this end, the will of political parties should prevail in many cases. He became convinced that his victory during the first round on 3 October alone, even though he obtained 34 million votes then, would not have given him the necessary political support to administer the country and to implement the reforms. The coalition member parties—the PSDB, PFL, PTB, and PP [Popular Party]—did not fare as well in the congressional election as the president-elect, thus forcing him to seek new alliances after the election. Hence, Cardoso surrendered to the PMDB, which has elected a large bloc.

The need for political support was demonstrated in the composition of the cabinet, which should reflect the participation of the parties and consequently attend to regional demands. Before negotiating the ministry posts for the PMDB, a warning signal was flashed to the government transition team: There were many Sao Paulo ministers but none from the northeast. "We must put in northeastern ministers," an advisory team member said. Cardoso, who at the beginning of November promised a cabinet post for Bahia to former Governor Antonio Carlos Magalhaes, asked him to suggest northeastern names. He did the same with PMDB President Deputy Luiz Henrique (Santa Catarina). With this gesture, Cardoso would solve two problems: To appoint northeastern members and to meet party demands.

Cardoso turned down some of the names suggested—like Sao Paulo Governor Luiz Antonio Fleury Filho—and accepted others. The PMDB and the PFL accepted what was offered to them. But it was in his own party, the PSDB, that the president-elect found greater resistance and internal disputes. Although Cardoso expected some of the problems, he was surprised at others. He counted on the reaction to the nomination of Senator Jose Serra (PSDB-SP) to the Federal Administration Secretariat. Ruled out from the Finance Ministry, which he always coveted, Serra cast his eyes on the Planning Ministry, which had been reserved for Paulo Renato Souza, coordinator of Cardoso's government platform.

With the support of important politicians like Sergio Motta, campaign coordinator and PSDB secretary general, and Civilian Household Minister-designate Clovis Carvalho, and, in particular, with the respect and personal friendship of Cardoso, Serra ultimately obtained

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

the Planning Ministry. With this, Paulo Renato Souza, who was entrusted with coordinating the transition and with publicly discussing the government plans, from one moment to the next was placed in the embarrassing position of not knowing where he would go. The episode has left some consequences.

The politicians of the coalition that elected Cardoso believe that the determining factor of the situation provoked by the nomination of Serra is Cardoso's own succession. The northeastern and Sao Paulo PSDB members continue to be split.

The president-elect was really surprised at the pressure he received from the Minas Gerais PSBD members on 14 December, when he gave his farewell speech to the Senate. Late in the afternoon, after meeting with many people in congress, Cardoso met for 40 minutes with Minas Gerais Governor-elect Eduardo Azeredo and PSDB President Pimenta da Veiga. "We want a Minas member in the cabinet," Azeredo said straightforwardly.

Cardoso then had to forget his campaign promise: "The nomination of ministers based on regional criteria attends to local oligarchies and not to the people," he had said repeatedly. In order to meet the demand from Minas Gerais, the PSDB, and Minas Governor Elio Garcia, Cardoso concluded the week with the nomination of Dorothea Werneck from the PSDB, who since yesterday is the most certain name for the Industry and Commerce Ministry rather than for the Science and Technology Ministry, for which she was first suggested, and Paulo Paiva (PTB), who was suggested for the Labor Ministry by Governor Garcia.

Lampreia: Cardoso Plans 'Presidential Diplomacy'

PY2912014494 Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Dec 94 p 3

[FBIS Translated Text] After meeting for nearly an hour with President-elect Fernando Henrique Cardoso at Alvorada Palace, Foreign Minister-designate Luiz Felipe Lampreia yesterday said that Cardoso will take a new approach in conducting Brazilian foreign policy by personally participating in formulating strategic policies and decisions.

Lampreia said: "There will be changes in tone in Brazilian foreign policy. President Cardoso will be personally involved in it. We will thus experience in Brazil a relatively new practice: presidential diplomacy."

During his meeting with Lampreia, Cardoso arranged details of a meeting of presidents of Mercosur [Common Market of the South] member countries (Uruguay, Paraguay, Argentina, and Brazil), to be held in the morning of 2 January, one day after Cardoso's inauguration. Also attending the meeting as guests will be the presidents of Bolivia and Chile.

Lampreia also confirmed that Cardoso is planning to appoint a diplomat as the Planalto Palace spokesman. He said that although several names came up during his meeting with the president, no decision has yet been made. He said: "President Cardoso spent a long time at the Foreign Ministry, and I believe he wants to appoint there someone who has the habit of always using the right word." Lampreia admitted that diplomat Sergio Amaral had been offered the position, but that he will serve in another post.

Cardoso also met with Communications Minister-designate Sergio Motta and Industry and Commerce Minister-designate Dorothea Werneck.

Economic Team Members Profiled

PY3012003194 Sao Paulo GAZETA MERCANTIL in Portuguese 27 Dec 94 pp 1, 6

[By Claudia Safatle in Brasilia]

[FBIS Translated Excerpt] When he announced on 26 December the team that will occupy key positions at the Finance Ministry, Finance Minister-designate Pedro Malan pointed out: "We are not working with apprentices. These people have in common very successful experience in the public sector, have already been tested in real life, and are committed to economic stability." Except for Jose Roberto Mendonca de Barros, an economist who graduated from Sao Paulo University, and Jose Milton Dallari, an engineer who graduated from Mackenzie University, both of whom have worked for federal or state governments, all other positions at the Finance Ministry will be occupied by bureaucrats.

They have come from the IPEA [Applied Economic Research Institute], the Bank of Brazil, and the Central Bank. They joined these organizations in the 1970's and had an important role in managing the economic crisis of the 1980's. Some of them are career diplomats, such as Ambassador Sergio Amaral, who yesterday declined to accept the position of spokesman of the Presidency of the Republic to accept the job of heading the Secretariat for Coordination of Foreign Trade Policy.

Everardo Maciel, who was chosen for the Federal Revenue Secretariat, met Minister-designate Pedro Malan in the mid-1970's, when both were experts at the IPEA (an organization linked to the Planning Ministry). He has been Pernambuco planning secretary and then finance secretary of that state, and secretary general of the Education Ministry and the Interior Ministry during Senator Marco Maciel's days at the head of the Education Ministry under Sarney (he is Marco Maciel's cousin). He is completing his term as finance secretary of the Federal District, DF, where he reduced almost all taxes and increased revenues by nearly 50 percent. "I have been invited to help draft the fiscal policy and not only to perform tax collection tasks," Maciel told this newspaper.

Finance Ministry Executive Secretary Pedro Pullen Parente, an electronics engineer who graduated from the Brasilia National University (UnB), began his career

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

through a public contest at the Bank of Brazil and then occupied a position at the Central Bank. He helped create the National Treasury Secretariat (STN), implemented the integrated Financial Management System (SIAF), and was one of the experts who coordinated the work of budget unification (unification of the fiscal and monetary budgets). Since 1992 he had been on leave without pay to serve at the IMF as consultant of the Public Finances Department.

Also coming from the IPEA, current Treasury Secretary Murilo Portugal was confirmed in his position by Pedro Malan on 26 December. Malan made official Mendonca Barros' appointment as economic policy secretary, and the appointment of Dallari—who is currently a special adviser for prices policy—as secretary for economic coordination. This position has just been created as a result of a split between the areas of supply and prices in the Secretariat for Economic Policy. Both Mendonca de Barros and Dallari, although not having been public employees, have worked for state and federal administrations. Mendonca Barros worked at the administration council of the Sao Paulo Power Company, Inc.; the Eletropaulo [Sao Paulo Power Company, Inc.]; and the Comgas [Municipal Gas Company]. Dallari began his career as an electrical engineer at the Sao Paulo Light and Power Company (CPFL). He was special secretary for supply and prices at the Seplan [Secretariat of Planning and Coordination of the Presidency of the Republic] while Delfim Netto headed the secretariat. From 1985 to 1993, he worked in the private sector, and returned to the public area when Fernando Henrique Cardoso became finance minister.

In addition to the aforementioned names, Malan also reported the choice of Almir Freire Lima, who is a clerk of the Bank of Brazil and an economist graduated from the UnB, to become his chief of staff. He also appointed Central Bank lawyer Luiz Carlos Sturnegger to the Finance Ministry Attorney's Office. Malan still has to appoint people to occupy the position of secretary of federal government assets and international affairs, as well as the post of the presidency of the federal banks. Malan asserted that these appointments will be made before the end of the month, and "not in accordance with political" criteria. [passage omitted]

Finance Minister Designate Nominates Secretaries

PY2712132094 Sao Paulo AGENCIA ESTADO in Portuguese 2116 GMT 26 Dec 94

[Report by Beatriz Abreu and Soraya de Alencar]

[FBIS Translated Text] Brasilia, 26 Dec (AE)—Pedro Malan, the Central Bank [BC] president and finance minister-designate, today announced his team which, he says, will comprise public service friends committed to the economic stabilization plan. "I chose them myself and none are new to public service," Malan said, as he confirmed Pedro Parente—who will return from the United States—as Finance Ministry executive secretary, and Everardo Maciel—a cousin of Vice President-elect Marco Maciel—as Federal Revenue secretary.

Malan will retain Treasury Secretary Murilo Portugal and special adviser Milton Dallari. In the Economic Policy Secretariat [Secretaria de Political Economica—Sepe] the name chosen by Malan is economist Jose Roberto Mendoca de Barros, who was a market consultant to Mendonca de Barros Associates S/C and MB Associates S/C. Following his nomination, Mendonca de Barros "has confirmed his estrangement from the two firms," Malan pointed out.

Special adviser Milton Dallari will be retained as economic follow up secretary, which is separate from the Economic Policy Secretariat. "Dallari's daily contacts and talks with businessmen are essential for the continuity of the Real Plan," Malan said. Dallari is the government man who smooths rough edges with the private sector to prevent unjustified price increases. In the past year, he negotiated deals with industries to prevent price hikes from pressuring the economy.

For the post of Finance Ministry attorney Malan has nominated BC career lawyer Luis Carlos Sturzenegger, a former chief of the BC Legal Department. Sturzenegger was Malan's right arm during the negotiations over the foreign debt deals. Sturzenegger has recently returned from an international law course at Harvard University and is currently working in a special BC advisory office. Almir Freire Lima, a Bank of Brazil career employee, will be Malan's cabinet chief.

Malan has not yet decided who will head the official Federal Savings Bank, Bank of Brazil, Bank of Amazonia, Bank of Northeast, and Meridional Bank, or the press and international affairs secretaries. He is expected to announce these names this week.

Finance Ministry Executive Secretary designate Pedro Parente was brought back from the United States where he was working at the IMF, while Revenue Secretary designate Everardo Maciel is concluding his term as Federal District finance secretary. He will leave his post together with Federal District Governor Joaquim Roriz.

"This team comprises extremely competent people, which is a guarantee that we will work in harmony with other ministries," Malan said, taking the opportunity to once again deny disagreements with Planning Minister designate Jose Serra. Malan said: "Fernando Henrique Cardoso's administration will have a government, not a ministry, policy."

Outlines Priorities

PY3012022894 Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Dec 94 Business and Finance Section p 6

[By Sergio Leo]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[FBIS Translated Text] Brasilia—According to Finance Minister-designate Pedro Malan, the time has come to start a new round of negotiations on the debts of state governments and to promote "a serious adjustment program" by reducing the number of branches and personnel of banks owned by state governments. He said: "I am encouraged by the fact that the governors-elect are aware that they will have to make the required adjustments."

With less than a week remaining before his installation as finance minister, Malan outlined five priority reforms, "which must be implemented simultaneously," to ensure the continuity of the Real Plan. Included among the priorities of the economic team are the elimination of economic adjustment indexes and the reduction of the "Brazil cost" factor by lowering taxes and labor costs that are hurting the competitiveness of Brazilian export items.

Malan added that the monetary and exchange policies must be consolidated because only "arrangements" have been made since the implementation of the Real Plan to pave the way for the transition from one government to another.

Although extremely busy with assembling his team and with the transition process—acting both as Central Bank [BC] president and finance minister-designate—Malan yesterday met with JORNAL DO BRASIL during his lunch break, shortly before his weekly meeting with the BC board of directors and after the morning meetings he attended accompanied by Pedro Parente, the Finance Ministry executive secretary-designate. Earlier, Malan had also met with Treasury Secretary Murilo Portugal and with Finance Ministry Attorney-designate Luiz Sturzenegger.

Adjustment in the States

The government wants to reduce the debt in bonds contracted by state governments through a "cooperative solution" that will involve the BC, the administrations of banks owned by state governments, and the state governments. The federal government has exchanged discredited debt bonds of the states for federal bonds to boost state government banks. Yet, a final solution will require "an adjustment program within these banks," including "difficult decisions" such as the closure of some branches and the dismissal of personnel to cut costs.

State Banks

There are five banks facing difficulties due to a concentration of state bonds in their portfolio and "two or three" having an exessive volume of loans to collect from state governments. Malan criticized, however, "undue generalizations" that have placed all state banks "in the same bag." Not all of them are having problems, he said.

Adjustment in Banks

Malan said: "All banks—whether federal, state, or private—will have to make adjustments because no one can move from 5,000 percent to 25 percent annual inflation as if nothing had happened." To make these adjustments, banks will have to increase their rates, increase their working capital, and collect loans. They will also have to count on the BC's help and to reduce branches and personnel. He added: "Regarding the two or three banks that are borrowers of the state, in its latest meeting the CMN [National Monetary Council] authorized an extension of the deadline for the renegotiation of those debts. The previous CMN deadline requiring that the debt be fully repaid by 31 December 1994 was not feasible."

Tax Reduction

In negotiating these debts with state governments, the federal government will demand that state governors reduce those taxes that are adversely affecting exports. Malan said: "We have promoted the reduction of federal taxes bearing upon exports. We are now going to work to bring about the reduction of state taxes, too. Federal Revenue Secretary-designate Everardo Maciel is aware of this. Industry and Commerce Minister-designate Dorothea Werneck is also aware that we expect her to give top priority to reducing domestic costs on exports."

The "Brazil Cost" Factor

One priority will be to reduce the production cost of goods and services in the country compared to that of foreign competitors. The reduction of interest rates on long-term loans is under discussion. With the support of the Labor Ministry, it will also be necessary to reduce salary-related expenses. Malan said: "This cost is both high and rigid. There are expenses that should not be included in the laws, but only in labor agreements." It will also become necessary to reduce taxes on export items. He added: "The idea of reducing costs in Brazil is a general guideline imparted by the government."

Elimination of Economic Adjustment Indexes

Malan said: "This topic entails discussion on the future of the TR [Reference Interest Rate], Ufir [Reference Fiscal Unit], and of the IPC-r [Consumer Price Index-real] and cannot be implemented overnight. While inflation is still high, to issue a law banning economic indexation—as has been done in Argentina—would mean fomenting informal indexations. We must follow a strategy of gradually eliminating indexes, a process that will depend on the speed with which we can move in the fiscal area, in the constitutional revision effort, and in reducing the Brazil cost factor, and on inflation itself."

New Monetary System

Malan said: "We will now be able to engage in a more in-depth discussion of the monetary and exchange systems that would be more appropriate for Brazil. This will

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

not be implemented abruptly either." The government plans to adopt measures to gradually eliminate the current system of allowing banks to automatically balance their accounts by obtaining loans from the BC. Instead, the banks will be urged to keep voluntary reserves at the BC, which will stop issuing bonds and which will conduct its monetary policy only with treasury bonds.

Exchange

Malan said that the government is naturally making adjustments in the market and will continue to adopt measures to avoid speculation. He added: "The main reason the real exchange rate is high is an oversupply of dollars. We have to increase the demand for dollars—as we have already been doing."

Fiscal Adjustment

The government will no longer attach great importance to exercising a tight control on "cash expenses." In addition to adopting measures to make revenues match expenses, the government will announce measures to do away with "contingent government debts" such as the FGTS [Severance Pay Fund] and the Compensation Fund for Salary Variations (FCVS). The economic team is considering the possibility of paying these debts with bonds that may be used as legal tender in privatization auctions. The fiscal adjustment also includes agreements with state and municipal governments.

Discusses De-Indexation, Exchange Rate

PY3012012094 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 29 Dec 94

[FBIS Translated Text] Central Bank President and Finance Minister-designate Pedro Malan has established a timetable for his actions. He intends to present on 15 February his constitutional amendment proposal to reform the tax system. During an exclusive interview with reporter Flavio Figueiredo, the finance minister designate also said that he will announce in 1994 the new rules to correct the Ufir [Reference Fiscal Unit].

[Begin recording] [Figueiredo] When will the freeze of the Ufir be announced? How will it be frozen?

[Malan] It is not a freeze. Within the framework of gradually de-indexing the Brazilian economy, you may recall that we suspended the daily correction of the Ufir. It is currently being corrected once a month, and in 1995 it will be corrected every three months. I would not call it a freeze. Within the framework of a stable economy, we no longer need to correct the Ufir daily, as in times when we had a 40 percent monthly inflation rate. We no longer need to correct it every month. We will correct it every three months. This will depend on a consistent and coherent program to de-index the economy wherein the Ufir correction term is only one of the components.

[Figueiredo] When will this change be announced officially?

[Malan] Probably before the end of the year.

[Figueiredo] Now, as for the exchange policy, we know that the parity between the real and the dollar is bothering exporters, in particular. Doesn't that worry the Central Bank and you particularly, since you will become finance minister?

[Malan] Look, I understand the concerns of the exporters. I want to clearly state that the increase of Brazilian exports is essential for us. We have said that the exchange rate is not the determining factor of the profitability of export activities. There are other factors, like the increase of productivity, the reduction of the tax burden on export activities, the deregulation and elimination of obstacles on export activities, and the reduction of transport and port costs. All these factors are part of the profitability of export activities, and we will work on them.

As for the current exchange rate, you must bear in mind that it is not established by the government. The exchange rate is, to a great extent, based on offer and demand, especially by an excess offer of dollars.

[Figueiredo] January is a month during which commercial stocks must be replenished and therefore there is pressure to increase prices. How do you intend to control this?

[Malan] We have a far-reaching perspective and we do not worry about a specific month alone. We are aware of these seasonal pressures that take place at certain times of the year. We nonetheless have instruments with which to control the great demand for credits. Besides, international and domestic competition limit possible abusive price increases.

[Figueiredo] Thank you very much for the interview, Mr. Central Bank President and Finance Minister-designate Pedro Malan.

Incoming Civilian Household Chief Profiled

PY2812153094 Sao Paulo GAZETA MERCANTIL in Portuguese 26 Dec 94 Memo Section p 1

[Article by Claudia Safatle]

[FBIS Translated Text] Brasilia—"He will be my second in command. I want him in the Civilian Household to be the administrative coordinator of government." That is the role given by President-elect Fernando Henrique Cardoso to Clovis Carvalho, 56, a civil engineer who graduated from the Polytechnic Institute and has a bachelor's degree in literature and philosophy from Anchieta College. Carvalho has been friends with Jose Serra (PSDB-SP) [Brazilian Social Democracy Party-Sao Paulo] since the sixties, and is a former Popular Action (AP) member. His task in the new administration will be to reinvent the way to govern. "The idea is to have a

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

government, and not a sum of ministries," he told GAZETA MERCANTIL the day his name was officially confirmed.

This post will certainly be the greatest challenge of his professional life. As Finance Ministry executive secretary during the administrations of Fernando Henrique Cardoso, Rubens Ricupero, and Ciro Gomes, Carvalho also occupied, on a minor scale, that post. A disciplined man, Carvalho coordinated all the preparatory meetings for the Real Plan, and before that the PAI—the Immediate Action Plan—that sought to create the minimum conditions to reform the monetary system. He does not like to listen to two people speaking at the same time during a meeting, and maintains the discipline by determining: "Now each one of you will speak, beginning clockwise," his aides say.

Carvalho was director of Sabesp [Sao Paulo Sanitation Company] and was planning secretary during the Franco Montoro administration in Sao Paulo State, after Jose Serra had occupied that post. He has also been vice president of the Villares Industrial Group.

Following the first round of voting, Clovis Carvalho joined Cardoso's few advisers to mind the transition. At its first meeting the transition team—then made up of Carvalho, Paulo Renato de Souza, now education minister-designate, and Eduardo Jorge Caldas Pereira, secretary general of the presidency-designate—decided on all the measures the government would have to adopt immediately after the presidential inauguration. One of the measures is the reform of the administrative system—with the elimination of two ministries (Social Welfare and Regional Integration) and the relocation of several secretariats under different ministries. The salaries of the main government executives will also be revised immediately. "We must end that hypocritical idea that public service is only for rich idealists," Carvalho says.

Carvalho will be the operator, administrator, and main person to align the ministers with the government objectives. "That is a work of integration, and not of supervision," he describes.

There are at least three possibilities in such a quest, as he explains: "We can reach a consensus, and then implement the government actions faster. If we do not reach a consensus, which is something difficult, we will seek the approval of the rest. If that is also impossible, the president of the Republic will be the arbiter." From this perspective, Carvalho will have to play in tune with the planning secretary.

Every day after work he normally writes in his diary. It is a register, "an aide-memoire," he says. In his diary, for example, he describes what happened on 13 August last year. Paulo Cesar Ximenes, who was then Central Bank president, was in the process of being dismissed from his post by Planalto Palace, because of the post-dated checks muddle. Pedro Malan, who was then Brazilian foreign debt negotiator, happened to be in Brasilia that day, and was convinced by Fernando Henrique Cardoso to take over the post from Ximenes. It was exactly on 13 August 1993 that together with Andre Lara Resende, the economic team—still without the presence of Persio Arida—drafted the first guidelines of the stabilization program.

During the past 19 months in which Clovis Carvalho has lived in Brasilia, he has learned a few important things that will mark the composition of the new federal administration. First, "the cadre of public employees is excellent." Carvalho, who has not brought in a single aide from outside to the Finance Ministry Executive Secretariat, recommended to Cardoso something that the president then repeated to all the ministers he nominated: "Come in, look around, and choose employees already in the federal administration." "We do not want to fire everyone. We are not advising the new ministers to bring in their own advisers 'from my town or from my party,' but we are recommending that they choose the public employees with the greatest technical and managerial competence," says Clovis Carvalho.

Another thing he learned is that a work group can actually work. There is an old bureaucratic saying: If you do not want to resolve anything, create a work group. Carvalho has a formula with which to knock over this taboo, and he will apply it to the Civilian Household: "Clearly distribute the work among the people, place in the same group the people who want to implement and those who want to bar certain measures, and choose a chief for the group."

Based on this principle he conducted the work for preparing the federal banks for the stabilization program (as much as was possible). He restructured the state and municipal debts with the federal government for a 20-year term, and commanded the financial programming meeting (a group of representatives from the national Treasury, the Revenue Office, the Federal Budget, and Social Security) to restrict public expenses to revenues. "Vertical fiefdoms must not exist. The important thing in the administration is to have a horizontal view," he teaches.

His relationship with Planning Minister-designate Jose Serra can be verified with the numerous telephone calls between Carvalho and Serra, nearly every day. The Civilian Household chief-designate does not think there will be disagreements among the Finance Ministry, Central Bank, and Planning Secretariat. "It will be very fruitful to have various visions," he believes. From what he knows of the two teams, "there is great potential for convergence, apart from the current potential for conflicts."

During the months in which Cardoso headed the Finance Ministry, he sensed the lack of information and isolation suffered by the president of the Republic due to the current administrative model. It was not unusual

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

that on one day he would work with President Itamar Franco and make a decision together with him, and that on the following day another minister would obtain the president's signature on a measure that was the complete opposite.

In order to avoid these contradictions during his administration, Cardoso intends to entrust the Civilian Household with the mission of coordinating actions. "It will be as if the presidency of the Republic were the head, and the ministries the executing arms," says Carvalho, who normally sleeps six hours per day, reads a book per week (on any subject), and feels lonely in Brasilia. "Now I am trying to bring in my wife to live here, because emotionally it is very hard to live away from the family." Carvalho speaks daily over the phone with his five children. "I am a very gregarious person," he says.

Carvalho's family has a time-long history in government administration. Clovis is the grandchild of Carlos Carvalho, foreign minister during the administration of Presidents Floriano Peixoto and Prudente de Morais.

Planning Minister-Designate Interviewed

PY2812181294 Rio de Janeiro O GLOBO in Portuguese 25 Dec 94 p 3

[Interview with Planning Minister-designate Jose Serra by O GLOBO reporter Elio Gaspari on 24 December; place not given; first part is introduction]

[FBIS Translated Text] Jose Serra, 52, planning minister-designate for Fernando Henrique Cardoso's administration, promises: "Ours will be a tight-fisted administration." Serra, who was elected senator for Sao Paulo by 6 million votes, claims that he will arrive in Brasilia during the first week of January 1995 dreaming about an administration that will veto, cut expenditures, and privatize. His obsession seems to be price stability. "Without it, no administration can succeed and there can be no economic growth, nor can social conditions be improved."

Serra is a collector of examples of absurd waste, like unfinished hospitals and budget allocations for land improvement that end up being used to build cemeteries. He has finally fulfilled the dreams of his youth: to be part of the team that controls Brazil's economic policy.

On his way there, he served as president of the National Union of Students (UNE) in 1964, spent 17 years in exile in Chile and in the United States, and was the planning secretary under Sao Paulo Governor Franco Montoro. He became famous at the Sao Paulo government house for stubbornly restricting expenses. He became the first key member of a state administration who opposed the building of new hydroelectric dams, claiming that they were unnecessary.

Serra wanted to be finance minister. He was not invited to fill that job. He said that he would stay in Congress, but ended up accepting the Planning Ministry. His appointment upset current Finance Minister Ciro Gomez, who just three months ago had described him the best man ("brilliant") to be at the helm of Brazil's economy. Serra denies that he will be a superminister, and seems to have obliterated the names Ciro and Gomez from his vocabulary. He does not want to talk about the exchange policy either, now or ever, promising that the devaluation of the Mexican peso will not have a "Tequila effect" on the real, and hints that he will be a silent minister. "The administration cannot be a forum for debates," he says.

Only Fernando Henrique Cardoso knows how much power Serra will have. One thing is certain, however: the Planning Ministry will not make Serra a popular man. Here is the interview he granted on 24 December.

[Gaspari] What is the first problem the Cardoso administration will have to tackle?

[Serra] To secure the victory against inflation. It has been defeated, but we must prevent it from raising its head. We will need two or three more years to anchor stability. The Brazilian people need a stable economy, as they have shown by electing a candidate whose main promise was to do away with inflation. Some three years ago there may have been people who did not believe that this was a priority, but now society demands stability.

[Gaspari] Stability at any cost?

[Serra] Without stability, no administration can succeed, there can be no economic growth, nor can social conditions be improved. Fortunately Brazil has overcome the squabble over stability versus economic growth, as if the two were incompatible. This squabble was based on false premises, especially considering our inflation rate of 100 percent, sometimes even 1,000 percent per year. I want to make the point that the Brazilians realized how harsh this tax called inflation was. The poorer the citizen, the worse he fared under this burden.

[Gaspari] What you just said we have been hearing for the past 10 years. Inflation goes up, some plan is launched, and it goes down, but after a while it goes up again. Why should things be different now?

[Serra] Compared to all the other plans, the situation of the Real Plan is much better. Inflation has been going down for six months now without price freezes or shortages. There is more economic freedom, and the country has $40 billion worth of reserves. President Fernando Henrique Cardoso was elected mainly because of the price stability, and he is committed to it. The presidents of some other Latin American countries were elected on populist promises, and once installed changed course. Cardoso got elected because he promised stability. This is very important. He has the reputation of being tight-fisted, and it is good to have someone tight-fisted with public money at Government House.

[Gaspari] The president has built for himself a reputation as a miser by leaving the table just as the waiter was

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

bringing the bill. That is easy to do, but how will a tight-fisted administration work?

[Serra] By vetoing, cutting spending, saying no, choosing priorities, reducing costs, privatizing, and restricting its activities. We will keep to the essentials. Ours will be a tight-fisted administration.

[Gaspari] Starting where?

[Serra] Starting with the budget.

[Gaspari] When?

[Serra] By the end of January 1995 we should have a list of cuts and reallocations of funds. Just like a family budget, the federal budget has two sets of figures: One is on paper, and the other has to do with the money available. One can have a deficit-ridden budget but end up by balancing it off by cutting expenses. One gets all these requests to do this or that, and one pretends to agree, and when the time comes to pay one does not release the money. This is a necessary procedure, but it is harmful because it thwarts any rational approach to expenses. The right thing to do is to have a smaller, more realistic, leaner budget.

[Gaspari] How will this reflect on the five pillars of Cardoso's campaign, meaning more investments in agriculture, education, jobs, health, and security?

[Serra] Investments are one thing, and disorderly public accounts are something else. Investments will be made, but there will be no disorder in public accounts, there will be no squandering.

[Gaspari] Isn't that easier said than done?

[Serra] Of course it is. I am telling you, however, that we will do it day by day. The most dangerous and persistent pressure comes from ordinary day to day things. An administration is not just a set of outstanding feats; day to day actions account for a lot.

[Gaspari] In your opinion, how should this administration handle the privatization program?

[Serra] Electric power plants will be the first target of privatization. It is essential, therefore, that the law on public service concessions be approved. We must also eliminate from the Constitution the prohibition against foreign companies operating in this sector. This glitch undermines the value of the companies earmarked for privatization, because it reduces the number of possible buyers. I believe that we must deal with this, and other privatization-related issues, with a great deal of courage. Just imagine some unfinished project on which the government has already spent 30 million reals [R] and it keeps losing money on it. It could be privatized for R20 million. One could say that the government will get less than it paid for this project, but I am telling you that it is better to put R20 million in the pocket and stop the losses. To support the work of the state is one thing, but to support losses is something else again. We must privatize to lighten the administrative burden, to make our economy more efficient, and to obtain funds to pay off the public debt.

[Gaspari] You are promising to be a planning minister who will cut spending and reduce costs. In the final analysis, however, you are taking it upon yourself to decide what should be regarded as a priority and what should be cut. Shouldn't this be coordinated with the other ministers? Will you be a superminister?

[Serra] It will be up to the president to decide on priorities and cuts. Don't you doubt it for a minute. Furthermore, I do not believe that anyone who has voted for Cardoso wants to see high inflation again. You must bear in mind that 54 million people voted for Cardoso. I doubt that you will find a single one who feels that inflation should go back to 1,000 percent per year. Stability is not just my pet idea, or of any other member of the administration. It is the president's goal. You do not know Cardoso if you believe that he will have a superminister. Just take a look at his political background. He has always had his own projects. Just take a look at his electoral campaign.

[Gaspari] How long will it take before you start fighting with Finance Minister Pedro Malan?

[Serra] There you go again. The thought that there could be a fight between us implies that the president-elect has deliberately assembled a conflictive economic team. It means that you are underestimating the president-elect, Malan, and myself. Objectively speaking, the Ministries of Finance and Planning complement each other. Personally speaking, Malan and myself have never had any relationship problems. On the contrary. Furthermore, there is a bigger prize at stake, called the Real Plan.

[Gaspari] You did want to be finance minister, however?

[Serra] I would have accepted the job, but I always thought that it would be logical and appropriate for the president-elect to appoint a member of the government team that created the Real Plan.

[Gaspari] Why didn't you answer Minister Ciro Gomez when he called you autonomous, centralizing, disloyal, and an enemy of the Real Plan?

[Serra] If my answer would have furthered the stability of the Real Plan, or helped the Cardoso administration perform better, I would have answered. As my main concerns are the stability of the currency and the performance of the administration of which I will be a member, I believe we can change subjects.

[Gaspari] Do you oppose the exchange policy?

[Serra] I will not discuss the exchange policies in interviews, not now, not ever. The government is not a forum for debates. It is different from the new media, the university, or Congress. Those three are forums where debate is something healthy. Whenever the economy of a country is being stabilized, there are always people who

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

want a higher exchange rate or a lower exchange rate. If the people who have a say in this matter discuss their views publicly, they may give the impression that they are encouraging a debate, but in fact the only thing they are fostering is base and opportunistic speculation.

[Gaspari] The Mexican peso has just dropped. Aren't you afraid of a "tequila effect" that will drive investments away from Latin America, and topple the real as well?

[Serra] I do not believe in this effect. Brazil's situation is very different from Mexico's. We do not have a $30 billion current account deficit. Furthermore, there is considerably less short-term foreign capital in Brazil than in Mexico. Short-term foreign investments in Mexico totalled $70 billion. Brazil holds considerably less than that, both in absolute and relative terms.

[Gaspari] If it had nothing to do with us, why did the Brazilian Government have to sell at least $2 billion to keep the real stable?

[Serra] It was done to prevent speculation. The Central Bank did the right thing.

[Gaspari] What would UNE President Jose Serra have thought in 1964 about the ideas of Jose Serra the planning minister-designate?

[Serra] He would have not been shocked. In any case, I would like to recall for you something that happened to Lord Keynes. He was once asked why he had changed his opinion about something or other. He answered: "Faced with new facts, I change my mind. Don't you?"

[Gaspari] What do you want to change in the Constitution that you signed in 1988?

[Serra] As I have said many times during the Constituent Assembly, I believe that we must change the excessively detailed approach the Constitution displays. That is its main problem. It overshadows the suitability or not of this or that regulation. I will give you just one example: the single law for federal, state, and municipal employees. Does that seem reasonable to you? You better believe it, it is in the Constitution. Those who were working in some office under the CLT [Consolidated Labor Laws] system suddenly became full-fledged federal employees. This disorganized public service. One can expect that a law could be passed calling for something like that. I am against such laws, but I admit that one could be passed. What I cannot understand is why something like this would be included in the Constitution. I will give you another example: Foreign capital has been banned from mining. Because of this, investments in mining activities have not grown. Less than one-tenth of the lawmakers now in Congress support this prohibition. We should have never included something like this in the Constitution.

[Gaspari] Are you against job stability for public servants?

[Serra] I support job stability whenever it protects careers and is operationally suitable, as is the case with the judiciary, the military, and the diplomats.

[Gaspari] How would this constitutional reform be handled? The provisions would be eliminated, not replaced with something else?

[Serra] I believe that we can take many issues outside the constitutional realm. A given constitutional provision can be eliminated and replaced with a law. The next step is to carefully and patiently examine this law to see what should be changed in it.

[Gaspari] In that case the rights of the pensioners and of the public workers, which the Constitution currently protects, will be left to the whim of a congressional majority?

[Serra] Not at all. As far as pensioners are concerned, I have yet to hear a single proposal that could harm them. Furthermore, if the situation of Social Security can be improved, then we can start thinking about paying them decent pensions.

[Gaspari] You used to belong to a leftwing student movement, and you were the president of the UNE as a member of the Popular Action [AP]. Cardoso's cabinet includes at least three other AP supporters: Sergio Motta (communications minister); Clovis Carvalho (Civilian Household chief); and Paulo Paiva (labor minister). Have you seized power?

[Serra] The AP was an offspring of the Christian left, of the Catholic University Youth, born in the 1960's. It went through so many stages that, both then and now, it would have been and is difficult to say exactly what it was. Was it a leftist organization? Yes, it was. It was a leftist organization whose militants over two generations ranged from those who accepted dialogue with the communists to those who professed rabid Maoism. Taking into account this range of leanings spanning over 20 years, what exactly was the AP? To look for undercurrents in Cardoso's administration because of the political inclinations of some of the members of his team would be tantamout to trying to predict the future of the incoming administration on the basis of the fact that most future ministers drink sugar-free coffee. Throughout history young people who had engaged in student politics became national decision-makers. The most important things I have left from my days in the AP are friendships.

[Gaspari] How do you feel being the first Brazilian minister to have spent 14 of his 52 years in exile?

[Serra] I feel nothing special. First, when a student leader has to go into exile, it is not his fault but the fault of those who force citizens to leave their country because of their political opinions. My days of exile left me memories of anguish; many friendships; no resentments; and, in particular, a long and fruitful period of studies.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Gaspari] Are you a candidate for Ferrabras Nacional [not further identified]?

[Serra] No. One's personality is an invention of other people. Marcel Proust wrote that.

Structure of Future Defense Ministry Analyzed

PY2912130394 Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Dec 94 p 2

[By Leandro Fortes]

[FBIS Translated Text] Brasilia—The future head of the Armed Forces Joint Staff (Emfa), General Benedito Bezerra Leonel, has already determined the structure of the Defense Ministry. After instructions from President-elect Fernando Henrique Cardoso, the project will be ready by November 1995. Once the Defense Ministry is established, the ministries of the Navy, Army, and Aeronautics will become secretariats.

The administrative departments of the current military ministries will be reorganized, and only those related to the activities of each force, such as the training of troops and officers, will remain the same. The military intelligence sector will be coordinated by the defense minister. The intelligence services of the Navy, Army, and Aeronautics will be preserved, but as part of a national system to be created by the Cardoso administration.

The health system, currently administered separately by each Armed Forces branch, will be reformulated and transformed into a sort of military SUS [Unified Health System]. After the implementation of the Defense Ministry the network of military hospitals and health centers spread countrywide will gain a centralized administration. Thus, a military officer analyzes, the Aeronautics members—for example—can use the best equipped hospitals of the Armed Forces, which are currently administered by the Army and the Navy. The officer explained that the Armed Forces Hospital in Brasilia, which has a joint administration that is performed on a rotating basis, will serve as the model for this new system.

Brazil is the only Latin American country, and one of the few in the world, that still has military ministries in its federal administrative structure. The establishment of the Defense Ministry will result in a great deal of discussion within the military leadership, as there is a great distance between a good idea and daily reality. An officer linked to the Military Command of the East asserts that if there had already been a sole command in the Armed Forces, the Rio Operation would have started much faster and been more effective. The officer adds that while the Navy, the Army, and the Aeronautics Ministry discussed how to act jointly in Rio de Janeiro, the organized crime big bosses had enough time to plan their escape.

In the Army, in whose officers the military regime consolidated a feeling of hegemony, resistance to the idea of a Defense Ministry has two bases: fear of losing some budget allocations, and the possibility of seeing the military really commanded by a civilian. In the Navy and the Aeronautics Ministry the fears are similar, but have a different origin: The two forces believe that because the Defense Ministry is being organized by Gen. Leonel, it will probably favor the Army. In the draft of Gen. Leonel's proposal, however, it is established that budget distribution within the future ministry will be conducted with technical criteria to be defined by the three military secretaries.

From the political point of view, the establishment of the Defense Ministry depends basically on how Cardoso plans to conduct the process. Fernando Collor and Itamar Franco have thought about the issue, but considering the possibility that confusion could be created in an area in which normalcy is a synonym for tranquility, they postponed the decision.

Cardoso, who had already discussed the issue with Army Minister Zunildo Lucena, decided to keep Lucena in his position and make a bureaucratic succession in the other forces, thus saving the idea for later. Before November 1995, when he will retire, Gen. Leonel—future head of the Armed Forces Joint Staff—will have to prove, therefore, that in addition to being a peacemaker he is also a good equilibrist.

The future ministry will also have to go through a long maturing process that will include anything from the neutralization of cultural resistance to the idea to the rational handling of the budget and funds earmarked for each one of the Armed Forces branches. Gen. Leonel was placed in a neutral field to direct discussion about the Defense Ministry, its advantages and disadvantages, and the consequences that its implementation can have in the lives of generations of military members, who have already gotten used to the idea that, although the three branches are linked, each one of them had its own mission.

Based on this concept, the ministries of the Navy, Army, and Aeronautics have for many years been using their work force, energy, and funds on exclusive projects—some of them similar—which could, ultimately, be conducted jointly.

One of the Armed Forces High Command officers—who is participating in the studies for the establishment of the Defense Ministry—asserted that, once the new ministry is established, most of the funds currently being used in scientific and technological research, including the project for the Navy's nuclear submarine and the manufacture of the Army's materiel—will be reduced by 50 percent. The officer revealed that the idea is to create in Brazil the idea of an "all-out war" that calls for a central coordination of military sector activities.

President-Elect To Increase Funds for Technology

PY2912191794 Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Dec 94 p 3

[Article by Ricardo Miranda]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[FBIS Translated Text] Brasilia—On 27 September, President-elect Fernando Henrique Cardoso told Science and Technology Minister Jose Israel Vargas—the only civilian minister of the current administration who will continue in the next cabinet—that industry must join the first world and be modernized if it is to continue. Cardoso said industry must invest massively in technology during these times of low inflation and in the absence of commercial barriers.

For that reason Cardoso has decided that his administration will increase investments in research and technological development from the current 0.6 percent to 1 percent of the GDP.

Vargas said: "Investment in science and technology must grow faster than the GDP." Cardoso added that to prove his government values the sector, he will not cut budget allocations to the Science and Technology Ministry, which total nearly $1 billion for 1995.

In a confidential meeting with Cardoso at Alvorada Palace, Vargas told the president-elect that Brazilian products must be competitive domestically and abroad, particularly regarding workers' salaries. Vargas told Cardoso: "It is no longer possible to use low salaries to ensure competitiveness. The survival of the Brazilian economy is threatened unless industries invest in science and technology."

Vargas said the next administration wants private enterprises to increase their investments in research and technological development from the current 10 percent (the government is currently responsible for 90 percent of the funds invested in science and technology) to 30 percent or 40 percent in the next four or five years. Vargas added: "Somewhat unexpectedly, Brazil reached ninth position in the international economy despite our low investments in science and technology. This has made entrepreneurs believe it is possible to grow without investing in science and technology. This mentality among Brazilian entrepreneurs must change." Vargas added that modern technology—like space technology, informatics, and biotechnology—is expensive or inaccessible for Brazil. He made the comparison. "Yesterday's Volta Redonda [heavy industrial town] is today's Alcantara (rocket launching pad in Maranhao State)."

Private investment in science and technology is ensured by two tax -incentive laws: Law 8248, for investments in informatics; and Law 8661, for investment in other industrial areas. Both laws will be in force until 1998. Vargas handed Cardoso figures showing that since these laws were created 18 months ago, private companies have invested $259 million. This investment means the government failed to collect $71 million in taxes, which means that for each dollar the government failed to collect in taxes, enterprises invest $3.5 in technology. The government hopes private investment will reach $4 billion in the next few years.

The Science and Technology Ministry will receive a $300 million bolster next year from the Inter-American Development Bank and wants another accord with the World Bank. The science and technology minister said: "We need money from abroad." Vargas and Cardoso also discussed the draft bill that will create the Superior Science and Technology Council, which is being debated in Congress. This council will be headed by the president-elect with seven ministers.

The council would function as a businessmen-labor-government negotiating board. They also discussed constitutional reform proposals as a way to make public service, which is currently unable to hire new employees, more dynamic. Since the administration of former President Fernando Collor, when free positions were frozen, more than 30 percent of the staff have left the Science and Technology Ministry.

Attorney Seligman Appointed Justice Executive Secretary

PY2812233294 Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Dec 94 p 3

[FBIS Translated Text] Attorney-at-law Milton Seligman will be the Justice Ministry executive secretary. Seligman, who is from Rio Grande do Sul State, like Justice Minister-designate Nelson Jobim (PMDB-RS) [Brazilian Democratic Movement Party-Rio Grande do Sul State], was invited to occupy this post on 22 December. In addition to being a very close friend of Jobim, the executive secretary-designate is linked to Deputy Luiz Henrique (SC) [Santa Catarina State], the PMDB president.

Jobim's assistants emphasized that Seligman's selection did not follow party criteria. Jobim's assistants noted that Jobim understands that Seligman has the ideal professional profile to occupy this post, which, in practice, is equivalent to vice minister.

The names of the people who will occupy the Justice Ministry's secretariats, departments, and councils will only be announced after President-elect Fernando Henrique Cardoso's inauguration. The only urgent issue involves the new Federal Police Department head. The Federal Police Department will be reorganized.

The justice minister-designate is concluding his studies on the reforms that he will introduce in the Justice Ministry. During the last week of the transition, Jobim is also completing the constitutional amendment proposals requested by Fernando Henrique Cardoso. Jobim hopes to complete the new tax reform draft on 28 December. This draft required many versions.

Last week, Jobim discussed the Justice Ministry operations with the incumbent, Alexandre Dupeyrat. They will meet again this week. Jobim intends to hold this meeting with his predecessor before the last transition period meeting with Fernando Henrique Cardoso. The office of the president-elect's advisers had still not scheduled the new meeting by 26 December.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Sao Paulo Governor Not To Participate in Administration

PY2612134794 Sao Paulo AGENCIA ESTADO in Portuguese 1820 GMT 24 Dec 94

[FBIS Translated Excerpt] Sao Paulo, 25 Dec (AE)—Luiz Antonio Fleury Filho, the outgoing governor of Sao Paulo State, will not participate in Fernando Henrique Cardoso's administration. Initially he tried to get a job either at the Ministry of Industry and Commerce or at the Transport Ministry. Later, several deputies who support him lobbied for his appointment as president of either Telebras [Brazilian Telecommunications Inc.] or Embratel [Brazilian Telecommunications Company]. All of these attempts failed.

A PSDB [Brazilian Social Democracy Party] deputy for Sao Paulo State explained: "The awful shape in which the outgoing governor is leaving Sao Paulo State was the main reason against his appointment. Appointing Fleury to a government post would be tantamount to stabbing in the back incoming Governor Mario Covas, who will receive a bankrupt state." The deputy admitted that a TCE [State Accounting Office] investigation also conspired against Fleury's possible appointment to Embratel or Telebras.

The TCE is suspicious of a contract that the Fleury administration signed with a consortium that includes the company Hidrobrasileira, owned by Sergio Motta, who just happens to be the future communications minister and will, therefore, have jurisdiction over both Telebras and Embratel. The deputy explained that "this may lead people to establish a link between Sergio Motta and Fleury, although in fact there is no such thing." [passage omitted]

The fact that there are stronger candidates vying for the jobs he wanted also worked against Fleury. According to an adviser to President Itamar Franco, current Navy Minister Admiral Lelio Viana Lobo will be appointed chairman of Telebras. Meanwhile, several of Fernando Henrique Cardoso's friends and Rio de Janeiro Mayor Cesar Maia want current Embratel President Renato Archer to stay on. Archer was one of the main allies of Deputy Ulysses Guimaraes, who died in October 1992, and the president-elect likes him.

Amaral Rejects Invitation To Become Cardoso Spokesman

PY2812232994 Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Dec 94 p 3

[Article by Marcia Carmo]

[FBIS Translated Text] Convinced that he would have the status of a minister, Ambassador Sergio Amaral, currently the Finance Ministry's chief of staff, turned down an invitation to become [presidential] spokesman after he was informed that he would not participate in the government's decisions. Amaral did not like the idea of being limited to the duties of rapporteur of official matters.

Following his initial talk with Fernando Henrique [Cardoso], the ambassador believed, mistakenly, that he would participate in the 0900 meeting and would be directly linked to the president. He was mistaken. The [presidential] spokesman will be linked to [Presidential] Secretary General-designate Eduardo Jorge. Jorge, who has been the president-elect's adviser for many years, will be responsible for the functions of the entire presidential staff at Planalto Palace. This post is currently occupied by Minister Marco Durante, but not even Eduardo Jorge will have the title of minister.

Amaral's interpretation was disliked by some of Fernando Henrique's close assistants; therefore, he preferred to remain as Foreign Trade Council chairman. Now, without haste, the president-elect is seeking another diplomat for this post. Fernando Henrique liked the facility with which Amaral explained intricate questions such as the foreign debt issue (Amaral was the government's direct negotiator before the IMF).

By choosing Anna Peliano for the Community in Solidarity Program [Programa de Comunidade Solidaria], the president-elect is now dedicating himself to selecting second-level officials and the [presidential] spokesman, who, incidentally, was not mentioned on 21 December, when he announced the names of his 22 ministers.

Fernando Henrique already established the Planalto Palace organizational chart. He will have three [number as published] close advisers: Clovis Carvalho, the Civilian Household chief, whom he described as his second in command; Eduardo Jorge, the link between the entire presidential palace and the presidential staff; Press Secretary Ana Tavares; Communications Secretary Roberto Muylaert; Private Secretary Francisco Grazziano; and Ambassador Julio Cesar Gomes dos Santos, the protocol chief.

Article Views Constitutional Reform, Congressional Majority

PY2812141094 Rio de Janeiro JORNAL DO BRASIL in Portuguese 25 Dec 94 p 3

[Article by Carmen Kozak]

[FBIS Translated Text] Brasilia—Now that President-elect Fernando Henrique Cardoso has announced his cabinet, the political negotiators and leaders who will form the congressional support base of the future administration have already begun figuring out how to approve the constitutional reform. The main concern is faithfulness to the government program and the capability of the congressional support base to organize. The congressional support base constitutes a majority mathematically for approving the constitutional amendments.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

In theory Cardoso has allies representing 336 votes in the Chamber of Deputies and 62 votes in the Senate. The votes of 308 deputies and 49 senators are needed to approve a constitutional amendment. Party leaders admit, however, that in practice the congressional support base may split if negotiations over controversial subjects are not carried out well. Such is the case with the social security reform and with the lifting of the state monopolies on oil and telecommunications.

"We still have to carry out a lot of negotiations before we can say that the constitutional amendments are guaranteed," said Deputy Luis Eduardo Magalhaes (BA) [Bahia], PFL [Liberal Front Party] leader in the Chamber of Deputies. Such a fear is shared by Vice President-elect Marco Maciel (PFL-PE) [PFL-Pernambuco], the cautious political negotiator for the constitutional amendments. Known for his negotiating capabilities, Maciel wants to negotiate the constitutional amendment proposals early, and establish agreements with the allied party leaders (PMDB, PFL, PSDB, PTB, PP, PL) [Brazilian Democratic Movement Party, PFL, Brazilian Social Democracy Party, Brazilian Labor Party, Popular Party, Liberal Party] for a voting timetable in order not to have any surprises in Congress. "We cannot repeat any of the mistakes made during the failed constitutional revision process," Maciel said.

The leaders' fear of disunity in the congressional support base is justified. Disagreements have already sprung up between the two main allies. The PMDB and the PFL do not agree on the strategy and timetable that must be complied with to guarantee the constitutional reforms.

Just as it did during the past constitutional revision process, the PFL demands that the reforms begin by voting on the lifting of the state monopolies, leaving the social security and fiscal reforms for later on. "It is a matter of logic. It is not possible to vote on a tax reform without knowing the size of the state," says Deputy Gustavo Krause, environment and water resources minister-designate.

The PMDB also wants to continue with the same model it supported during the past constitutional revision process: It wants to discuss the tax and social security reforms first, leaving economic matters for last. "It is political suicide to begin the reform with such a contentious subject as the lifting of the state monopolies. It buries any other kind of reform attempt," said Deputy Germano Rigotto (RS) [Rio Grande do Sul], deputy leader of the PMDB in the lower house.

The PFL does not even want to hear of changing priorities. A PFL leader said that the PMDB intends to indefinitely postpone the discussion on lifting the state monopolies. "Everyone knows that many PMDB members are against lifting the state monopolies, and that right now the PMDB is not interested in clashing with Cardoso," he added.

Germano Rigotto refutes the accusation, labeling it as "a merely strategic" attack. Rigotto believes that the future administration cannot take "a single misstep" regarding the reforms. "Everything must be approved in six months, during which the congressional support base will still be united and under the impact of the prestige of a president who was elected on the first voting round," Rigotto said. PMDB President Deputy Luiz Henrique agrees with him, and defends reaching an agreement with the allies before sending the constitutional amendment proposals to Congress.

But the reforms are not threatened by strategic and programmatic disagreements alone. President-elect Fernando Henrique Cardoso is beginning to face a new factor that complicates things: the threats of retaliation by party blocs that are unhappy for having been left out of the cabinet, and are pressuring for second-rank posts. Congressmen from the northeast, Goias, Minas Gerais, Rio de Janeiro, and the 35 deputies and five senators of the PP are among the unhappy group.

"The PP is not receiving the treatment it deserves for being a party that supported Fernando Henrique's candidacy since the beginning," said Deputy Raul Belem (MG) [Minas Gerais] PP leader in the Chamber of Deputies.

"Those threats are stupid, and Fernando Henrique will not give in. As long as the president has the support of the public, Congress could even approve the distribution of castor oil," said Deputy Maurilio Ferreira Lima (PSDB-PE). He added that in many cases the government will be counting on the votes of the opposition to approve the amendments.

Deputy Jose Genoino (PT-SP) [Workers Party-Sao Paulo] admitted that the PT could approve the government proposals. "The PT will make a positive, not intransigent, opposition," he said. He also believes that the numerical majority obtained by Cardoso does not guarantee the reforms he wants. "Anyone who knows the Chamber of Deputies a little knows that each subject will demand deep negotiations, and that demands time, a lot of time," Genoino said.

1995 Budget Situation, Expense Increases Viewed

PY2912235294 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Dec 94 Economic Section p B2

[Commentary from the "Opinion" column: "Expenses Cut Remained on Paper"]

[FBIS Translated Text] Itamar Franco is concluding his mandate with the public accounts in a fragile balance. Fernando Henrique Cardoso will come to power with an enormous deficit on the horizon. Money from privatization will help, but it will not be enough to cover the deficit. Even with the real increase of tax collection as a result of the decreasing inflation, the problem is not resolved.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

A stronger medicine will be necessary, and, according to most economists, nothing could be better than a reduction of expenses. Expenses should have been reduced in 1994. This measure was part of the plan launched in 1993 by the then Finance Minister Fernando Henrique Cardoso. However, the opposite has happened.

Until last month the National Treasury collected 29.31 percent more taxes than it did during the same period in 1993, discounting inflation. Total expenses increased by 29.77 percent. Despite this, the Treasury accounts registered a fiscal surplus of 68.16 million reals [R], which is insignificant, or of R6.87 billion if the financial operations were discounted.

In November, the revenues were 40.41 percent greater than those of November 1993. Expenses were 40.32 percent greater. Several factors account for the increase of tax collection. The main factors are: The Provisional Tax on Financial Operations (IPMF), the regular collection of the Social Investment Contribution (Cofins), the combating of tax evasion, the decline in inflation, and economic growth. The IPMF will no longer be collected in 1995.

The increase of federal expenses practically in the same proportion as the increase of revenues can be explained by a single factor: Expenses tend to at least accompany the collection of taxes. This principle was already common two and a half centuries ago. Then, as at present, it was totally realistic. Neutralizing this trend would be politically costly in the short term, and one plants with a long-term expectation only at the beginning of an administration.

As foreseeable, salary expenses increased above the average: 37.94 percent between January and November 1994. The situation will be more difficult in 1995. The 1995 budget draft bill includes R1.8 billion for the salary expenses that will increase as result of the equal salary law. Treasury Secretary Murilo Portugal has nonetheless reported that there will be a R2 billion shortage for this item. The item "other investment and cost expenses" also increased considerably in 1994. It increased 47.55 percent between January and November. This item should have been greatly reduced this year but once again there were no political or operational conditions to cut expenses.

Expenses involving the internal debt interest, to roll over debt certificates in the market, increased by 172.05 percent, which was foreseeable. High interest rates continue to be one of the pillars of the economic policy, even after the implementation of the real. This will hardly be modified during the first months of 1995.

Official credit operations (items like farming loans, payment of interest, and export financing) were 57.86 percent greater than those registered between January and November 1993. Revenues from official credit operations likewise increased by 30.17 percent. In absolute terms, however, the two accounts have been practically balanced.

Expenses that should have been cut. Variations of the Treasury accounts between January-November 1993 and January-November 1994:

Revenues—29.31 percent; expenses—29.77 percent; earmarked expenses—minus 3.355 percent; ordinary expenses—49.49 percent; salary expenses— 37.94 percent; contracted debt obligations—39.52 percent; internal debt obligations—172.05 percent; other investments and costs—47.55 percent; and official credit operations—57.86 percent.

Finance Ministry Blocks Accounts of 19 States

PY3012002894 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 29 Dec 94

[FBIS Translated Text] The Finance Ministry today blocked the banking accounts of 19 state governments for having failed to pay for overdue foreign debt bonds. Until they bring their payments up to date, these states will not receive funds from the federal government. The order was imparted by Finance Minister Ciro Gomes.

[Sao Paulo AGENCIA ESTADO in Portuguese at 2131 GMT adds: "Finance Minister Ciro Gomes today confirmed that Sao Paulo is one of the 19 states whose accounts had been blocked by the federal government."]

Central Bank Closes Fiscal Year With Deficit

PY2912012394 Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Dec 94 Business and Finance Section p 1

[Article by Felipe Paturi]

[FBIS Translated Text] Brasilia—This year the Central Bank [BC] will have an accounting deficit for the first time since the foreign debt crisis of the 1980's. The negative result is concentrated in the second semester and it has a single cause: the Real [R] Plan. During the first two months of the Real Plan the BC accumulated a deficit of R7.038 billion because the dollar devaluated vis-a-vis the real and because the bank is paying higher internal interest rates than what it was earning on its foreign exchange reserves. The net effect was one of transfer of part of its assets to society.

BC International Affairs Director Gustavo Franco said the deficit is the result of "an exquisite accounting problem" provoked by the end of inflation. Franco added the damage is not a cause for concern, even if this is because central banks were not created to make profits. Besides, the negative result reflects, more than anything else, the effects of the fight against inflation, Franco explained.

The BC had successive surpluses before the real started circulating because inflation devaluated the currency in the hands of the population, reducing BC liabilities and balancing the disbursements for interest payments with revenues from foreign exchange adjustments. The BC accumulated a surplus of $4 billion from January to

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

June. Those funds were deposited with the National Treasury, as is established by law.

Absorption—From now on the deficit will be entirely absorbed by the BC, which will not be able to use previous surpluses to pay off part of the second half's deficit. Gustavo Franco said the only consequence will be that the BC will not transfer funds to the Treasury. If there were surpluses, those funds would have been used to cancel BC debts to the Treasury.

The economic team has already made a decision on the problem when it decided on a formula to cleanse BC finances. From now on the bank will transfer its profits to the Treasury only after covering all the year's deficits. This mechanism will free the Treasury from the need to disburse resources to pay for a deficit that exists only on paper and that did not even affect the bank's coffers.

In practice, damage will exist only if the BC were to be forced to sell part of the international reserves included among its assets. Reserves routinely increased since the launching of the Real Plan [because revenues increased], and the biggest problem was to prevent their being devalued as much as the dollar. This is, BC assets increased, but their value decreased because they were quoted in dollars [the dollar devaluated compared to the real].

Differences—Finance Ministry technicians explained that the effect of the foreign exchange devaluation was greater on assets than on BC debts. This occurred due to a simple reason: While foreign exchange reserves (assets abroad) stood at $38 billion in July and climbed to $43 billion in October, BC foreign debts (debts abroad) dropped from $16 billion in July to $8 billion in August after BC payments to the Paris Club.

The $8 billion still owed on the foreign debt was transferred to the Treasury, in accordance with guidelines ordering the closure of the black box between the BC and the Treasury. The Treasury realized a profit when it incorporated the debt that had devalued together with the dollar exchange rate.

Another problem is that the Central Bank pays much more for renegotiating its internal debt (R31 billion) than it receives on account of its deposits abroad. The BC international affairs director considered this situation uncommon, because it is related to the fact that the Brazilian BC is one of few in the world to issue title, a responsibility that should be exclusively handled by the Treasury and that will only be corrected after the bank becomes independent.

Finally, the BC was hurt by the over-valuation of the reals circulating in the country. In an inflationary climate, the monetary base—deposits in cash and bank reserves—lose value daily. The BC makes a profit through this fact because the monetary base is counted among its debts. With the end of the inflationary process and the over-valuation of the new currency, the reals in the hands of the population increased in value. Today a dollar is worth R0.85, which means that the BC lost 15 percent on the monetary base.

Franco: Mexican Peso Devaluation Not To Affect Country

PY3012021894 Sao Paulo AGENCIA ESTADO in Portuguese 2056 GMT 29 Dec 94

[FBIS Translated Text] Brasilia, 29 Dec (AE)—President Itamar Franco today stated that the devaluation of the Mexican peso will not unleash a chain reaction that could affect Brazil. The crisis provoked a stock exchange decline in Mexico and the announcement of a fiscal package in Argentina with a view to reassuring the Argentine market. Franco said that the Brazilian situation is altogether different from that of Mexico and Argentina and, thus, there are no grounds for comparison. He said: "Our situation is quite different from that of Mexico and Argentina. We have exchange reserves and, unlike Mexico, we do not have a deficit in our balance of payments." He added: "We have a more consistent stability and a better formulated plan."

Effects of Mexican Currency Crisis Viewed

PY2712170994 Sao Paulo GAZETA MERCANTIL in Portuguese 23 Dec 94 pp 1,16

[Article by Claudia Safatle]

[FBIS Translated Text] Brasilia—Worried over the exchange crisis in Mexico, President-elect Fernando Henrique Cardoso yesterday summoned the economic team to evaluate the risks posed by the Mexican problems on the Brazilian stabilization plan, just a few days before our presidential inauguration. The meeting was attended by Finance Minister-designate Pedro Malan and Planning Minister-designate Jose Serra, who listened and agreed with Central Bank [BC] Foreign Director Gustavo Franco, who counseled not to change the exchange policy. That is the decision for now.

"The possibility of adjusting the exchange band, making it more flexible or changing the direction of the economic program, is zero," Gustavo Franco told GAZETA MERCANTIL after a BC directors meeting to analyze the subject.

GAZETA MERCANTIL editor William Salasar said that throughout yesterday, the BC carried out 10 operations on the exchange market, selling nearly $2 billion to maintain the dollar at 0.86 reals. Gustavo Franco said: "Anyone betting on a maxi-devaluation will lose out."

A strong reaction to the Mexican stock exchange crisis was registered on the Sao Paulo Stock exchange, where operations fell by 6.1 percent yesterday, demonstrating a great withdrawal of capital. Gustavo Franco believes there is a clear explanation for this withdrawal: "Foreign investors who have investments in Brazil also have them in Mexico because they operate on emerging markets.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

That is, they are now cashing in the profits they made in Brazil to compensate for the losses they suffered in Mexico."

Gustavo Franco is convinced that this flight of capital will be short-lived because the investors who bet on Mexico will soon return to Brazil. Other BC experts who share Franco's view, nonetheless state: "There is $12 to $15 billion worth of foreign applications on the Brazilian stock exchange. If they all left, there would be a sudden stock price drop, reducing the value to $5 billion." There is $15 billion in time deposits that have paid the IOF [Tax on Financial Operations], BC experts report. "These investors must leave their money for longer in the time deposit to 'break even' [two preceding words in English]." Gustavo Franco said: "There are incentives to make foreign resources remain here."

After the meeting, President-elect Cardoso commented with an aide that the Brazilian situation is completely different from Mexico, adding that the exchange policy in Brazil will not be modified. "I see no possibility of the Mexican crisis being repeated in Brazil."

Gustavo Franco briefed Cardoso and the ministers on the differences between the Brazilian and Mexican economies and on the points in common between the Brazilian and Chilean economies. Here is an example of the success of the stabilization plan:

During the first half of the year Mexico registered a $14.211 billion deficit in its current account [conta corrente]. If that were taken as a basis for its annual performance, it would represent $28.4 billion, some 9.63 percent of the Mexican GDP. It must be pointed out that Mexican foreign reserves stand at between $7 and $10 billion. Foreign resources applications on the Mexican stock exchange amount to $75 billion, which makes it very vulnerable to capital flight.

In Brazil, the current account surplus between January and September 1994 reached 1.24 percent of the GDP. The BC expects, however, a $1 billion deficit in current transactions by the end of year. Brazilian exchange reserves stand above $40 billion and foreign investments in the Brazilian stock exchange reach a maximum $15 billion.

Gustavo Franco said: "What is happening in Mexico does not affect at all our conviction that it is normal to have a small deficit in our current account: Mainly because we will receive more foreign capital in the upcoming months." He believes the arrival of foreign capital in Brazil in 1995 will be equivalent to 5 percent of the GDP "or more, depending on the privatization program." The syndrome of the 1982 crisis—which forced Mexico to declare a moratorium on its foreign debt and which caught Brazil completely dependent on foreign capital, thus leading it to also declare a moratorium, like the rest of Latin America—prompts prudence.

"We are alert," Gustavo Franco said. "The BC will seek deregulation, transparence, and to intervene in the supply and demand to determine the exchange rate. The BC will intervene to reduce risks," he added. Gustavo Franco does not consider it necessary to further explain the exchange policy: "I think it repetitive to say that the BC understands that 0.86 reals is the limit which the exchange rate must currently not surpass."

In relation to the 1980's, the way international institutions view Latin America has also changed. They now have special departments to analyze the differences between countries. "They know perfectly well what is good and what is bad in Latin America," Gustavo Franco said. He believes foreign investors understand that Brazil is closer to the performance of the Chilean economy "which did its homework and, like here, established thousands of control mechanisms to prevent the over-valuation of the currency." It is a different situation from that of Mexico or Argentina.

Gustavo Franco ended by saying: "The Mexican crisis is far away."

Nuclear Submarine Program Examined

PY2812160094 Sao Paulo VEJA in Portuguese 21 Dec 94 pp 118-119

[FBIS Translated Text] For the past 15 years the Brazilian Navy has been working on a nuclear submarine project that has become one of the most expensive national jokes. The project has always been ridiculously pompous for the country's technological level. More than $1 billion was spent on development and research during this period. Last week the project ran aground. A graduate Navy officer who investigated the project admitted to VEJA that the grounding was total. "Either we drop the idea of the submarine or we buy an engine, because we were unable to develop one. In any case, we would have to spend another $2 billion to have an operational submarine by 2010," the officer said.

The project's current situation serves as a good example of a thoughtless admiral's adventure. The submarine does not exist physically, even though $1 billion has already been spent on it. The only thing we can see is a model of the vessel decorating the Copesp [Sao Paulo State Research Commission] offices, which is a state company owned by the Navy and based at the Sao Paulo University [USP] campus. In the town of Ipero, in Sao Paulo's interior, there is an experimental reactor that was to have been adapted to perform like a submarine motor. The reactor works, but scientists were not able to transform it into a motor. In Ipero, the Navy also has 680 centrifuge machines that are used to enrich uranium. The motor's fuel is uranium, but many more machines like those will be needed to keep the submarine operating. It is easy to notice that the project is in total disarray.

Flat-Bottomed Boat [Chalana]

Two different investigations started in June, both ordered by Navy Minister Ivan Serpa. One of them is

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

analyzing the project's technical problems. According to an admiral acquainted with the project, this investigation could produce a thick book filled with anecdotes. The second investigation will deal with the old problem of the misuse of public funds. There is suspicion of corruption and irregular acquisitions, and that the pot was well stocked. Active duty admirals are fighting reserve admirals. The personnel in pajamas [retired] want the submarine because it creates many jobs. Active duty admirals prefer to spent the branch's budget funds on things with a more solid future.

The Chalana project, as the plan to build a national nuclear submarine is called, started during the period of military governments. It was part of an Armed Forces effort to develop local nuclear technology. During the same period the Air Force sponsored a project for the construction of Brigadier Hugo Piva's missiles, the Army mounted a uranium enrichment research center in Rio de Janeiro, and the National Nuclear Energy Commission, CNEN, which is linked to the National Intelligence Service, SNI, developed a similar project.

The Army suspended its research program when it discovered that the technology they chose was not taking them anywhere. Brigadier Piva renounced his missiles, and the last news we had on him was that he is selling pepper. The CNEN was able to make some reactors operational. Today these reactors produce materials for the radioactive treatment of ailments like cancer. The Navy went further. "Admirals are more insistent when the matter is to request funds for their research, and the project continued at double speed," said Nelson During, an arms expert who advises foreign magazines, said.

In the 1980's, particularly after the war over the Malvinas islands, the admirals were able to convince President Jose Sarney that it was important that the country have a nuclear submarine. Over at least five years the administration spent $100 million a year for the purchase of equipment and technology contraband. This year the Navy appropriated $70 million for the project. "Most of the things gathered together for the project were a result of industrial spying and the redesign of old prototypes, and that costs a lot of money," said an admiral who worked on the project. There were 400 professors, engineers, and technicians working for the Chalana project between 1985 and 1989. The only result of their work was to develop a uranium enrichment method, a fact that was announced with great pomposity by former President Sarney in 1987.

Uranium enrichment was an essential part of the program. With this development it would be possible, in theory, to produce an atomic bomb. There were suspicions that this was, in fact, the final purpose of the project. In this case the submarine would only be an excuse. If the project's purpose were in fact to build a bomb, the enemies of Brazil can sleep in peace, as nothing was done correctly. Ipero's centrifuges were not able to purify uranium enough to produce a bomb. "With 20 percent enriched uranium you cannot explode anything. It can only be used as fuel," said physicist Rogerio Cerqueira Leite, a Unicamp [Campinas State University] professor.

Foul-Ups

In the 1980's there were very strong suspicions that Brazil was attempting to produce an atomic bomb, because the country was investing a lot in research in that area and refused to sign the international nuclear weapons nonproliferation treaty. The mistrust was so strong, inside and outside of the country, that Brazil was prevented from purchasing supercomputers, which could be used to make the complicated calculations necessary to build the bomb. Today that situation has been overcome. Brazil signed an agreement permitting the international supervision of its research projects, and ratified an agreement banning nuclear arms from Latin America. As of this year, international organizations conduct regular inspections of research centers and uranium stocks in the country. There are already two supercomputers operating in Sao Paulo and Rio Grande do Sul. On 16 November six International Atomic Energy Agency inspectors visited Ipero. "Their conclusion was that Brazil cannot be considered a dangerous country, such as Korea and Iraq," CNEN Chairman Jose Mauro Esteves dos Santos said.

Brazil is not dangerous because it cannot produce very rich uranium, does not hide its research as much, and makes so many technical mistakes that it apparently will never even be able to build the projected submarine. The initial idea was to build a nuclear submarine in the body of a conventional submarine. An agreement was signed with the German company IKL [expansion unknown] to enlarge the ship's body, that is, to cut it in half so as to allow for the installation of a reactor in the submarine's belly. But the agreement failed, and the Navy decided to continue on its own. Nothing came out right. The reactor that was going to be transformed into a motor would not fit into the ship's hull. The Navy, therefore, decided to increase the hull's size. The next problem was that the reactor did not have enough power to propel a larger submarine. "The problem had a cascade effect, and the problems now seem insoluble," said an admiral who worked in the project.

Reserves

Part of the funds were lost because of the foul-ups. Another part, investigators suspect, probably disappeared in the pockets of dishonest officials through over-billing operations and unnecessary contracts. In July, project head Deputy Admiral Othon Pereira da Silva was dismissed. The formal announcement says that Othon had fulfilled its service term in the Navy and had retired to the reserves. But the story might be different. Investigators discovered that Othon had sponsored many of the services for the nuclear submarine project.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

He purchased equipment at very high prices, and contracted part of his own personnel through companies mounted especially for that purpose. Mitas and Engevix, two of the companies created to provide services for the project, are being investigated. The personnel contracted by these companies received salaries many times higher than those approved by the Navy.

The investigation continues, but the deputy admiral and some of his colleagues are preparing to open shop in some other nuclear area. They are looking for a job at the Institute for Nuclear and Energy Research, IPEN, which is a civilian company. They have already passed a test, and expect to be accepted. IPEN scientists, however, did not like the incursion by the former Navy men. The CNEN opposed the move, too. The Commission decided against hiring them, based on a Supreme Federal Court decision preventing retired public officials and military men from working in other government companies. The submarine has therefore sunk, and the crew sails the seas in lifeboats.

Public To Comment on Planned Launch of Satellites

PY2912001594 Sao Paulo FOLHA DE SAO PAULO in Portuguese 26 Dec 94 Section 2 p 1

[Article by Elvira Lobato]

[FBIS Translated Text] The government has prepared three Communications Ministry resolutions announcing a project to launch the first private satellites in our country. The details of the resolutions will be discussed today by current Communications Minister Djalma Morais and his successor Sergio Motta.

The project to launch three private satellites, worth $300 million, was presented by a mega-consortium [megaconsorcio] named Class which comprises the companies Globo, Bradesco, Odebrecht, Monteiro Aranha, Victori Internacional, and the French company Matra, which makes satellites.

For 30 days from the date the resolutions are published in the government's official gazette, anyone may express their opinion on the launch of the three private satellites.

The process of placing for public consideration the exploitation of satellites is unprecedented in our country and is part of a strategy of establishing partnerships with the private sector to expand telecommunications services.

The Communications Ministry has announced that anyone interested may have access to the Class Project documents and, even though it was the first to file a proposal, the Class mega-consortium does not have a right to preferential treatment.

At the end of the 30-day public consideration, another 60 days will be given for other interested parties to present their proposals if the concession of orbital positions is not challenged.

The main market of private satellites is television and data signals. These satellites will operate at a higher frequency than that used by Brasilsat as they will be equipped with the so-called Ku band, which is not carried by Embratel [Brazilian Telecommunications Company] satellites.

This higher frequency allows the reception of television signals using parabolic antennas barely 40 centimeters in diameter. These antennas may even be installed on the balconies of apartments. This opens up a new line of business within the cable television market.

The Class consortium project has been under discussion by the government since November 1993 when the company requested three orbital positions from the Communications Ministry.

On his last day in office in December 1993, former Communications Minister Hugo Napoleao submitted to the ITU (UN International Telecommunication Union) a request for three orbital positions in the name of the Brazilian Government.

The ITU submitted the request for consideration by other countries which, according to the Communications Ministry, was not challenged.

Two satellites will be positioned over the Pacific Ocean and the third will be positioned over Colombia in a 36,000 km orbit. The Communications Ministry has announced that the concession will be for the satellite's life span—between 11 and 13 years.

During the ITU consultation process, Telebras [Brazilian Telecommunications, Inc.] and the Class consortium wrestled behind the scenes at the Communications Ministry. Telebras only concurred with the project on the condition of becoming a stockholder and the holder of the concession.

The Class project partners accepted Telebras as a partner, but imposed two conditions: Class, and not Telebras, was to be the concession holder, and the public consultation process was to be launched before signing the partnership agreement.

During this period Embratel mobilized itself to purchase its own satellite with KU band capability, and another private consortium—Localsat (headed by entrepreneur Olacyr de Morais)—presented a project, involving two satellites with the same characteristics, to the Communications Ministry.

The Localsat consortium (made up of the Itamarati, Splice of Brazil, and Mercedes Benz groups) accepted the conditions imposed by Telebras and, in November, signed a draft agreement to establish a partnership with the state-owned company worth $200 million.

Air Force Participates in Rio Anticrime Operation

PY2312135594 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 22 Dec 94

[FBIS Translated Text] The Air Force has joined the anticrime operation in Rio de Janeiro, while the Army

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

arrested criminals who escaped from the slums controlled by drug trafficking gangs on the other side of Guanabara Bay.

Early in the morning, in the first raid carried out by the Army outside Rio de Janeiro Municipality, Army troops surrounded the Estado slum in Niteroi Municipality. It was a different place but they used the same strategy. The Army set up roadblocks on all access roads. No one was spared from being checked, not even mothers carrying babies.

After searching cars, the soldiers wrote down the license plate numbers for control purposes. Traffic on nearby streets was jammed. In order to guarantee the people's support, the Army set up signs apologizing for the inconvenience. With a court order, soldiers searched the house of a lawyer, but found nothing.

At the same time, in Governador Island in Rio de Janeiro, armored cars, helicopters, and 1,500 men raided Barbante slum, where 7,000 people live. The raid was carried out by the Army, Special and Riot Military Police battalions, and the Air Force. Eighty percent of the men belonged to the Air Force, which participated in the Rio Operation for the first time for a strategic reason: The Rio de Janeiro international airport is located behind the Barbante slum, which is immediately adjacent to the Aeronautics neighborhood, where corporals and sergeants live.

Soldiers searched the shacks of the slum looking for smuggled weapons and drugs. The proximity to the airport makes Barbante slum a drug trafficking checkpoint. A man was arrested for having an Air Force uniform. He informed on the man who had given it to him: It was a sergeant, who was immediately arrested.

Female police members also participated in the operation, which was called Eagle-1. Slum dwellers who were stopped and searched on their way to work were given late-arrival justification documents distributed by the Air Force.

Not long ago Army paratroopers surrounded the Amarelinho slum complex in Acari, a Rio de Janeiro suburb, which is one of the most violent areas of the city.

Army Minister Zenildo de Lucena confirmed in Rio de Janeiro the renewal of the anticrime agreement between the federal and state governments.

Roundup of Economic Reports

PY2912143094

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 28 December.

The Manaus Free Trade Zone will close the year with record sales totalling $10 billion, after having had its production reduced by 70 percent between 1991 and 1992. Local companies had to invest in productivity to compete with foreign products and have only succeeded in recovering from the crisis thanks to automation and subcontracting. In 1993 and 1994, investment in capital assets required for industrial automation totaled $500 million. According to data supplied by the Federation of Amazonas State Industries, the price in dollars of most products manufactured locally, such as television sets and video cassettes, dropped by nearly 50 percent in the last four years. The price of other products, such as VCR's, has dropped still more drastically. In 1994 production increased by 42 percent compared to 1993: 5 million television sets have been manufactured this year instead of the 3.3 million manufactured last year. Another excellent aspect of the local industrial performance is that production has increased although the number of employees decreased from 80,000 in 1990, when the production level had reached record levels, to 47,000 employees this year. The number of indirect jobs, however, increased by some 30 percent due to subcontracting. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 25 Dec 94 p 17)

The Brazilian Petroleum Corporation, Petrobras, has found oil in shallow waters (10 meter depth) along the coast of the northeastern region. The oil well, known as 1-SES-107D, is located 45 km from Aracaju, the capital of Sergipe State. Tests indicate that the well has the capacity to produce 465 oil barrels per day. In a note released on 23 December, Petrobras reported that the new field measures 3,500 square meters and has potential reserves of 6.28 million barrels. Oil was found at a depth of 2,775 meters, and proved to be of "excellent quality." (Sao Paulo GAZETA MERCANTIL in Portuguese 26 Dec 94 p 12)

Compared to 1993, Brazilian oil imports increased by 4.4 percent and totalled 18.771 million tonnes from January to October. According to Federal Revenue statistics, oil imports represent 7.38 percent of all Brazilian imports, and are followed by wheat (2.53 percent), and cotton (1.75 percent). Saudi Arabia exports most of the oil used in Brazil. This year it exported 7.626 million tonnes, equivalent to $670.4 million or 37.27 percent of overall Brazilian imports. Argentina comes second with 4.041 million tonnes exported, which totalled $428 million, or 23.80 percent of overall imports. Kuwait comes third with 2.708 million tonnes, which totalled $228.6 million or 12.71 percent of overall imports. Argentine oil exports to Brazil increased by 56.7 percent this year, while Saudi Arabian exports dropped by 22.46 percent. Crude oil imports in October represented a disbursement of $220.8 million, an 18.61 percent increase in volume, and a 42 percent increase in value. According to the Federal Revenue Secretariat, this expansion was a result of the reduction in import taxes from 38 percent to 20 percent. (Sao Paulo GAZETA MERCANTIL in Portuguese 27 Dec 94 p 12)

Privatization Program Committee President Andre Franco Montoro Filho reported on 21 December that the balance of privatizations conducted during the Fernando

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Collor and Itamar Franco administrations totalled $8.61 billion, $1.59 billion of which (18.5 percent) was in cash. According to the reported balance, 99 percent of the funds collected in cash ($1.57 billion) were obtained beginning in March 1993, when the committee was already under Montoro's management. Montoro added that, as a matter of fact, the overall amount obtained from privatizations since 1991 totals $15 billion. This represents the aforementioned $8.61 billion, plus $3.3 billion of the companies' debts (which were transferred to the new owners), in addition to $3 billion that the government no longer had to invest. Montoro explained that in addition to these $15 billion the government saved $1.5 billion/year it had to pay in yearly interest, plus $1.5 billion/year on debt amortization and $2 billion/year more it had to disburse to increase the capital of these companies. Montoro reported that the government still has to privatize 23 more companies. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 22 Dec 94 Section 1 p 4)

A study made by the Communications Ministry indicates that the government may collect $10 billion with the sale of shares of the companies that are subsidiaries of the Brazilian Telecommunications, Inc. (Telebras) system, and that despite this sale the government will not lose its 51 percent of company shares with the right to vote. Telebras, which is the government's telecommunications system holding, has almost 100 percent of the shares with the right to vote of the Brazilian Telecommunications Company, Embratel. The study shows that the only shares the government cannot sell are those of Telebras, because they are already down to the minimum possible number of shares required to maintain government control over the company. According to experts at the Communications Ministry, the decision to sell the extra number of shares currently in the hands of Telebras would be one of the possible changes to be effected in the field of telecommunications without depending on Congressional approval. Other possibilities are to concentrate the 27 state telephone companies into seven regional enterprises, or to create state-owned company partnerships, as has already been occurring during the Franco administration, with private companies in order to finance projects for the expansion of telecommunications services. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 26 Dec 94 Section 2 p 1)

The Central Bank reported on 27 December that as a result of the Mexican exchange crisis, $236.5 million in foreign investment was withdrawn from the Brazilian financial market on 26 December to reduce losses resulting from investments made in Mexico. The accumulated withdrawal of net foreign capital during the first 26 days in December totaled $594.4 million, which is 100 percent more than what was withdrawn in November. Trade exchange operations during the first 26 days in December also had a net deficit of $293.5 million, because export contracts totalled $2.589 billion while import contracts totalled $2.883 billion. On 26 December imports moved $223.4 million, while exports moved only $107.4 million. Financial exchange contracts registered withdrawals totaling $3.702 billion and investment totaling $3.401 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 2146 GMT 27 Dec 94)

The World Bank has made formal its decision to partially cancel 16 loans granted to Brazil from 1985 to 1990. They total nearly 20 percent of the overall loans already granted to the country. The canceled loans had been previously negotiated, but the Brazilian Government only requested their cancellation on 14 December. This decision refers to more than $2.1 billion in loans granted, particularly to northeastern region states. Economist Gobing Nankani, director of the World Bank department in charge of Brazil, said: "We are concerned with the fact that Brazil has more than $5 billion in loans already approved, although not disbursed," particularly because the country has to pay a 0.25 percent tax per year over the total amount not disbursed and, worse still, has its possibilities of obtaining new loans limited. (Sao Paulo AGENCIA ESTADO in Portuguese 1910 GMT 23 Dec 94)

In its last session in 1994, the Senate obtained for the Sao Paulo mayoralty a $302 million loan from the Inter-American Development Bank, IDB. The funds will be used to channel streams and finance environmental recovery in the basins of those Sao Paulo State rivers that are in the most critical condition of pollution. The project is known as Procav II, and its overall cost is estimated at $544 million, $242 million of which will have to be disbursed by the municipality. The loan will not have to be paid back until 2020. The project also contemplates projects for resettling 3,900 families, and urbanization projects for slums where approximately 1,350 families live. Initially the project will channel 13 streams and construct parallel roads along them. It also contemplates the construction of green areas and the implementation of a program of environmental education for the population affected by the Procav II. (Sao Paulo AGENCIA ESTADO in Portuguese 2129 GMT 23 Dec 94)

Brazilian foreign reserves dropped in October, closing the month with a $40.4 billion balance in cash flow, and with $42.8 billion in terms of international liquidity (which includes credits to be received). The September balance had totalled $40.8 billion and $43.4 billion, respectively. Helio Mori, head of the Central Bank Economic Department, explained that the reserves decreased because the country paid $1.25 billion in interest on the foreign debt, and $252 million as guarantee on the debt agreement. As the interest will be paid every six months, the next payment will be in April. Central Bank President Pedro Malan, who has been appointed finance minister by President-elect Fernando Henrique Cardoso, reported that the Brazilian reserves will be transferred from the International Compensations Bank, in Switzerland, to other banks—including commercial banks—thus ensuring payment of better

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

interest to the country. (Sao Paulo AGENCIA ESTADO in Portuguese 2131 GMT 23 Dec 94)

Francisco Luiz Gomide, Brazilian director general of the Itaipu Binational company, has reported that the company has closed the fiscal year with a positive balance. He added that the payment of royalties was resumed in September 1993, and that during 1994 the states where the lake of the largest hydroelectric dam in the world is located received an overall $111.33 million, $105.3 million of which correspondend to $6.05 million in obligations that had become overdue. Parana was the state that benefited most, receiving $99.6 million this year. From April 1993 to October 1994, Paraguay received $405.9 million: $257.7 million in royalties, plus $136.2 million resulting from the sale of energy to Brazil. Paraguay consumes less than 3 percent of the dam's energy potential. Gomide recalled that in April 1993 the company's monthly expenses totaled $162 million, while the income totaled only $1.8 million and the overdue debts already totaled $10 billion. In June, debts with foreign creditors totalled $1 billion, which were equivalent to 77 contracts. "Almost all the debts had been overdue for more than three years, and the company paid 120 percent on the loan and the overall sum of the overdue payments. Then we began negotiating these debts," Gomide said. The Itaipu Binational rescheduled 78 percent of the debt for payment in 20 and 30 years, with interest from 4 percent to 6 percent per year. The remaining 22 percent were negotiated on the basis of the London Interbank Offered Rate, plus 0.825 percent of spread (difference between purchase and sale exchange rates). Gomide concluded by criticizing the "mistaken strategy" of fighting inflation by reducing utility rates: "As a result, from 1985 to 1993 we received only 57 percent of the overall amount we were entitled to for the sale of energy." (Sao Paulo AGENCIA ESTADO in Portuguese 2215 GMT 23 Dec 94)

At the beginning of 1995, Altus Informatics Systems Inc. of Porto Alegre, Rio Grande do Sul State, will install an office in the United States, near the Detroit automobile manufacturing center. The company already has an office in Germany, and will invest $100,000 in the new project, which will consolidate the company's strategy of joining competitive and dynamic markets in the area of industrial automation. Altus was created 12 years ago by three Rio Grande do Sul electronic engineers. It operates exclusively with its own technology, which is generated at laboratories that will consume $1 million in investments next year, said Altus Executive Director Ricardo Felizzola. In 1991, after showing its microprocessors at the Hanover Fair in Germany, the company was contracted by the high-technology German company Alfred Kuttenlochner to develop microprocessors for robots that fit windshields in cars. According to Felizzola, the need to maintain the project secret was the reason for choosing Altus for the work. The Brazilian company did the work in three months, and its system is used in the manufacture of vehicles of the BMW, Opel, and Seat (Volkswagen) companies, as well as in the Brazilian vehicle manufacturing industry. This is how the Altus Informationssyteme GmbH, in Waghausel, was created to develop its own technology. It is now negotiating licensing of its products to be manufactured by traditional European industries. In addition, the company is now organizing its own network for distribution abroad. (Sao Paulo GAZETA MERCANTIL in Portuguese 23 Dec 94 p 1)

The French and Brazilian Bank (BFB), the foreign bank with the largest capital currently operating in the country, is negotiating the sale of its share control in Brazil. The BFB has reported that Credit Lyonnais, its main shareholder, will authorize the U.S. Morgan-Stanley investment bank to begin "feasibility studies for the sale of all, or part, of its shares in BFB." FOLHA DE SAO PAULO has learned that the following banks are interested in purchasing these shares: Paris National Bank, which is associated in Brazil with the Bank of the City; Bamerindus; Itau; Bradesco; and the National Bank. The sale of Credit Lyonnais shares in Brazil precedes the project seeking to privatize the bank in Europe. In Brazil, Credit Lyonnais has 53.9 percent of BFDB shares; the Bank of Brazil Pension Fund, Previ, has 15.2 percent; and Bradesco has 6.6 percent. The remaining shares are distributed among a large number of shareholders. The BFB asset is valued at $484 million. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Dec 94 Section 2 p 2)

Minas Gerais Iron and Steel Mills, Inc. (Usiminas) and the Rio Doce Valley Company decided last week to purchase the Sao Paulo Ferro-Ligas Company, which is Brazil's largest producer of manganese alloy (particularly silicon-iron manganese alloy) and the third largest in the world. The purchase of the Ferro-Ligas Company—which is suffering retaliation from the U.S. Government, and had its exports overtaxed in 64.93 percent on dumping charges—had been under secret negotiation for over than five months. It will be announced to the Securities and Exchange Commission next week, as soon as the agreement among the new owners and the company creditor banks is concluded. The passive capital of the company, which has called a composition of creditors, totals $280 million. The banks accepted pardoning over $100 million of the debt, and will refinance the rest of it in 10 years. A metalworking area source has reported that as soon as Rio Doce Valley and Usiminas begin operating the company, these companies will contribute $100 million. The Ferro-Ligas company produces 83 percent of all manganese alloy produced in the country. These are used in steel production. According to Lopes Filho & Associate Consultants, in 1992 the company sold 209,000 tonnes of the product, and nearly 210,000 tonnes in 1993. The price of silicon-iron-manganese alloy dropped between 1990 and 1993 from $700 per tonne to $450, thus worsening the financial situation of the company. The Rio Doce Valley company has already confirmed the purchase. All that still has to be done is to negotiate the Ferro-Ligas Company's debt with some creditor banks. This will be done next week. (Rio de Janeiro O GLOBO in Portuguese 24 Dec 94 p 29)

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Chile

Police Investigate Torture Accusation

95SM0089B Santiago EL MERCURIO in Spanish 30 Nov 94 p C13

[Text] According to an official source, the Investigations Police are investigating the charge that illegal coercion was practiced upon a 23-year-old settler who reportedly was tortured by individuals—presumed to be police personnel—during an operation to suppress cocaine-base traffickers in El Salto, Conchali.

The Department of Internal Affairs acknowledged the truthfulness of the accusation presented by the mechanic Jaime Humberto Jorquera, who last 4 November went to the El Salto Lieutenancy of Carabineros to report that he had been the victim of oppression by civilian police.

Jorquera said that on that same night—at the intersection of Turistas and Canada streets—several unknown individuals pushed him into a blue automobile equipped with a spotlight and took him to a barracks, where electricity and bright lights were employed during interrogation to induce him to identify neighborhood drug dealers from their photographs.

The mechanic declared that after four hours in captivity a hood was placed over his head and he was returned by automobile to the corner of Santa Ana and Adela Martinez streets, where he was released at dawn. He immediately went to the first-aid station, whose personnel reportedly verified the burns on his right forearm that were caused by the application of torture.

Last August the International Association Against Torture (AICT) charged that in Chile there is an increasing tendency to employ torture. AICT spokesman Gabriel Feres, who is also vice president of the Humanist-Greens Alliance, claimed that there were eight cases in 1990, 16 in 1991, 19 in 1993, and 14 between January and May of this year.

Feres also stated that according to the AICT report, the Investigations Police were responsible for 65.51 percent of these practices and the Chilean Carabineros for 34.49 percent.

In half of the 29 reported cases, the victims were deprived of food, water, or shelter; in five cases, electricity was applied to their bodies; and in 10 cases the victims suffered sexual abuse.

Feres criticized the government for being "unable to end the torture."

After scrutinizing the AICT study, Nelson Mery—chief of the Investigations Police—expressed the opinion that the charges were baseless. He emphasized, however, that his organization has the appropriate mechanisms for investigating any abuse of this type and handing over to the courts any persons found to be implicated.

Military Court Reopens Disappearance Case

95SM0089A Santiago EL MERCURIO in Spanish 1 Dec 94 p C11

[FBIS Translated Text] In a split decision (four votes to one), the Military Court reopened the investigation of the case of the disappearance of former Socialist Deputy Carlos Lorca Tobar in June 1975, after revoking the definitive stay that had been ordered by the military judge of Santiago under the terms of the amnesty law.

The military court of appeals also instituted an indeterminate number of proceedings that in its opinion have been awaiting a decision.

Attorney Alfonso Insunza Bascunan—who is representing the injured party in the case—stated that agents of the former DINA [National Intelligence Directorate] had arrested the former member of Congress in a building in the capital on the date in question and in front of witnesses, and that he had been seen subsequently in Villa Grimaldi in very poor physical condition. He has not been seen since, the lawyer added.

Insunza said that in 1978 a complaint was filed against General (retired) Manuel Contreras Sepulveda, who is the defendant in the proceedings.

The trial was initially presided over by the judge of the Fourth Criminal Court of Santiago, who subsequently disqualified himself, whereupon the case was sent to the Second Office of Military Prosecutor.

An appeal was filed with the military court of appeals, which then heard the case.

The majority decision of the Military Court was signed by Judges Raquel Camposano, Alfredo Pfeiffer, Pablo Canals, and Harry Grunnewaldt. The minority opinion was written by Judge Enrique Ibarra.

Insunza Bascunan said that given Lorca Tobar's status as a member of Congress at the time these events occurred, his client will ask the Human Rights Committee of the Chamber of Deputies to exercise the right of petition and ask the Supreme Court to appoint a special judge of the Military Court to continue the investigation of the case.

Colombia

FARC Criticizes Government's Social Pact

PA3012044794 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0230 GMT 29 Dec 94

[FBIS Translated Text] They [FARC—Revolutionary Armed Forces of Colombia] use a harsh language to attack all the pillars of the political and social strategy of President Samper.

[Begin unidentified FARC member recording] The well-publicized Social Pact, which was recently signed and unloads the burden of the crisis on the workers and the unemployed, is only a tragicomedy. [end recording]

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

The FARC also criticizes the new system for rural security and demands that the government act in accordance with its preachings.

[Begin unidentified FARC member recording] One cannot be on good terms with God and the Devil. The FARC is still determined to seek a political solution to the national crisis. We hope the colossal development of the president's policy for a dialogue is not part of a strategy to gain time to strengthen its war machinery because this could be fatal for the country. [end recording]

Commissioner: Government Peace Plan Unchanged

PA3012045194 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0230 GMT 30 Dec 94

[From the "CM& Newscast"]

[FBIS Translated Text] [Announcer] Peace Commissioner Carlos Holmes Trujillo has said that the harsh message by the guerrillas, broadcast by the "CM& Newscast" on the evening of 29 December, will not affect the government's peace plan. He said that the guerrillas and the government must hold meetings.

[Begin recording] [Unidentified reporter] For the government, the guerrillas' end-of-year message will not undermine the peace process:

[Holmes] I think that the criticism reflects the reality of the conflict and that is why the government has persisted on a political solution.

[Reporter] The commissioner hopes that the first practical step toward peace will be taken in 1995; that the two parties in the conflict will accept the Geneva protocols on the humanization of war as the regulatory mechanisms. Holmes Trujillo added that the preparatory phase for possible talks has suffered no setback.

[Holmes] That will of course help because it gives a clear idea of their current concerns, and logically, all that should be the subject of discussions and clarifications during the preparatory phase.

[Reporter] A phase in which it is important for the two parties to hold meetings.

[Holmes] First of all, they should meet to reach all necessary agreements to determine whether it is possible to establish firm foundations for a possible negotation; second, there should be an express commitment with the norms protecting civilians who are trapped in the middle of the conflict. [end recording]

Role of Agriculture in Social Pact Studied

95CA0075A Santa Fe de Bogota EL TIEMPO in Spanish 19 Dec 94 p 14B

[Article by EL TIEMPO staff writer Carlos Fernando Gaitan O.]

[FBIS Translated Text] The variables that made possible the Social Pact between government, workers, and employers cannot be applied, for the time being, in agriculture and agro-industry.

In the view of analysts, talk of reaching an agreement on farm productivity, prices, and wages, is sheer wishful thinking.

Nonetheless, the Agrarian and Agro-Industrial Commission that the administration has set up is taking the first steps to identify the basic elements of an agricultural consensus that will enable the sector to join the Social Pact.

In the commission's judgment, several elements must be taken into account to build a consensus.

The main ones are a comprehensive analysis of rural problems, the provision of resources to small producers, and continuation of the policy to internationalize the economy.

These elements must be accompanied, however, by selective protection in the form of incentives for producers, which in turn must be reflected in growing budget appropriations.

This approach acknowledges that rural life in Colombia has been marked by job insecurity, low income, violence, and crime.

Although past efforts have aimed "preferentially" at strengthening the farm economy, the goal has not been achieved.

The commission notes that such strengthening of the farm economy has a limited scope insofar as it does not bring about significant improvements in the living conditions of rural producers.

Accordingly, it recommends complementing government efforts with actions in the social sphere.

Hence, the policy of agricultural and rural modernization must seek to promote social equity, sustained development, and economic competitiveness.

"In this connection, the policy towards the sector should be to promote the modernization of rural society and agro-industrial activity, within the framework of the internationalization of the economy and protection for domestic output against distorted markets."

First Steps

The commission has offered some proposals as to the pledges the government should make first so that the farm sector can begin participating, albeit timidly, in one facet of the Social Pact.

The government should boost the prices of the products for which it has signed agreements with farmers to buy up their harvests.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

These prices should exceed import costs and should be offset with tax breaks.

"This will prevent domestic agro-industry from incurring heavier costs and will reduce the danger that market conditions will affect the levels of raw materials prices."

To date, agreements have been signed to buy up the wheat, barley, sorghum, and yellow corn crops and some of the oil and oilseed crops.

The report notes that although the freedom to import and export should be maintained, the Agricultural-Livestock Marketing Institute (Idema) must be the buyer of last resort of domestic harvests.

It must also serve as a supplier when unrestricted imports do not ensure a sufficient supply of agricultural foodstuffs or when they are supplied under noncompetitive conditions.

The commission intends to review the systems for protecting items that weigh heavily in the family shopping basket whenever distortions arise on world markets, in the event that prices rise above the inflation target of 18 percent.

Also, the commission recommends that the Agriculture Ministry, through the various supply agencies, promote price agreements to prevent hoarding and speculation around Christmas, New Year's, and Holy Week because of the impact that they have on food prices.

As for food industries, the commission feels that the public and private sectors should constantly monitor production conditions in order to enhance their competitiveness.

This effort must be based on a recognition that the farm sector and the food processing industry are dependent on each other for their development and that it is important to integrate agro-industries so as to make them more competitive. The commission says in its report that owing to the competition that farming and agro-industry face at present, our tariffs ought to be aligned with those of the Andean Group countries.

Later Consideration

The commission felt that the issues of human rights and rural crime, social investment and expanded public services in the countryside, wages, working conditions, and social security in the sector ought to be taken up at a forthcoming plenary session of the Social Pact on Productivity, Prices, and Wages.

[Box, p 14B]

Who Belongs

The Agrarian and Agro-industrial Commission of the Social Pact is made up of the minister of agriculture, Antonio Hernandez Gamarra; the president of the Association of Colombian Farmers, Cesar de Hart de Vengochea; the representative of the National Association of Industrialists, Hernan Puyo; the representative of Utracum, Adriano Figueroa; the representative of the Confederation of Colombian Workers, Francisco Vidal Pardo; the representative of the United Workers Federation, Ivan Martin; the representative of the National Agricultural Federation, Orlando Jimenez; the representative of the National Planning Department, Alvaro Balcazar, and the representative of the Colombian Association of Small Industries, Maria del Pilar Villa.

Its task now is to seek ways of integrating the farm sector fully into the Social Pact, which will help improve conditions in rural Colombia.

Ecuador

Congress, Executive Branch Reach Accord on Reform Bill

PA2912191894 Quito Voz de los Andes in Spanish 1200 GMT 29 Dec 94

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The talks between Congress President Heinz Moeller and Government Minister Abraham Romero apparently paid off today and presumably the government will not immediately announce a new referendum. Minister Romero reasserted the government's intention of postponing the referendum as long as Congress proves it is willing to work on ratifying the executive branch's reform bill.

The National Congress held a special session yesterday evening and approved, in the second and final debate, the last topic on the referendum dealing with the state's sector-by-sector budget. Congressmen then debated the articles of the executive branch reform bill.

Meanwhile, Congress President Moeller said parliament will work on the constitutional reform bill while the government decides whether to call a referendum. Moeller stressed that parliament will spare no effort in approving the largest number of constitutional reforms possible, adding that it will let the executive branch decide whether a referendum will be necessary. Moeller pointed out that Congress fulfilled its duty by approving the reforms included in the previous referendum.

Summary of Strikes in 3-Month Period

95SM0093B Guayaquil EL UNIVERSO in Spanish 14 Dec 94 p 1

[Unattributed article: "An Environment of Strikes and Threats"]

[FBIS Translated Text] Virtually three months have already passed during which the nation has struggled in an environment of strikes and threats—actions that have

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

involved and are involving sectional organizations; teachers; transportation workers; production workers; workers in the public sector, including oil field and refinery workers, hospital workers, and prison guards; and self-employed persons such as farmers, fishermen, and others.

The lists of demands formulated in each instance are long—and the positive results very few—because the palliatives do not go far enough to satisfy the demands and only momentarily stifle the protests.

The damage caused by work stoppages such as those the nation has been experiencing almost continuously during the past three months are having an almost irreparably negative effect not only on the economy but also on morale, because at this point it is apparent that only de facto measures have been able to get the attention—however minimal—of the central authorities.

The First in Eastern Ecuador

It was the farmers of the Amazon region who in early September demanded attention—and especially the attention of the National Development Bank [BNF]—and to that end they blocked highways, dynamited part of the road between Baeza and Tena at the Cosanga bridge, and threatened to damage the Trans-Ecuadoran pipeline. The government responded by sending a bill to Congress, because it was not possible to agree to a reduction in interest rates on arrears owed to the BNF.

El Empalme

Only a week later the Consortium of Municipalities of the northern part of the Guayas River basin mobilized the police forces for the purpose of reopening the coastal roads that had been taken over by workers and a group of municipal officials—led by those of El Empalme—who were demanding payment of a total of 7 billion sucres, which was subsequently delivered separately to each individual municipality.

Almost in similar fashion, organizations such as the CRM [expansion not given], health care workers, and workers of the judicial system and of the IESS [Ecuadoran Social Security Institute] in Portoviejo independently declared a strike. Their demands were primarily for wage increases and for compliance with clauses previously established in the collective labor contracts.

Southern Border Paralyzed

Huaquillas, in El Oro Province, was the protagonist in a well-publicized protest staged on 26 October. The principal demand was for 1.1 billion sucres, which the government ultimately handed over in order to terminate the closure of the border 24 hours after it had been initiated.

Heavy Transport

A confused work stoppage of heavy truck transport began in November with the closure of roads in various provinces to enforce demands for the complete opening of the northern border and concomitantly for the entry of transnational transportation companies into Ecuador.

The strike was partially put down by the police, and ended with the split that currently exists among the members of the national transportation system themselves.

The Economic Measures

The government used the holiday from 2 to 3 November to take new economic measures. These included raising the price of diesel fuel, which generated a wave of protests that primarily involved the shipowners and independent fishermen in the fishing industry and workers in the petroleum industry.

The Fishing Fleet Dropped Anchor

Although the National Navy acted in time to prevent the takeover of ports by shipowners and independent fishermen, the fishing fleets were immobilized as a consequence of the rise in the price of diesel fuel. Demonstrations were held primarily at the ports of Guayaquil, Manta, Posorja, Esmeraldas, and other smaller ports. The shrimpers and fishermen obtained a subsidized price for diesel fuel, but the independents are still waiting for gasoline mixed with oil.

Oil Workers Protest Diesel Fuel Price Increases

The oil workers, for their part, supported the protests, which were threatening to spread nationwide because of the rise in the price of diesel fuel. The Army and Navy guarded the oil ports of Esmeraldas and Ancon and the oil fields of Sucumbios. The workers at Ancon were also protesting the fact that the oil fields had been turned over to the Advanced Polytechnic School of the Littoral.

Protest at Machala

On 15 November—only 20 days after the strike at Huaquillas took place—El Oro Province was subjected to a second work stoppage. This time the banana capital of the world—Machala—"went all the way" and continued for 72 hours an action that resulted—among other things—in the resignation of the governor of the province, Eddie Muro, and incalculable damage deriving primarily from the shutdown of economic activity such as the shipping of bananas and shrimp.

Stoppages Become Widespread

On 22 November the situation in Ecuador was chaotic: teachers and workers in the health care sector protested nationwide and in Portoviejo attempted to burn the office of the governor of the province. The municipalities of Guayas Province took de facto measures and closed highways.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

[Box, p 1]

No More Dialogue

Chimborazo Province—with the Riobamba municipal authorities in the forefront—also joined the strike on 5 December. Their participation set a record for duration, inasmuch as all activity was halted for five days. The epilogue: a refusal by the government to engage in dialogue; a city filled with rubbish; not a single disputed point resolved; and losses for retail business, the banks, and especially the informal vendors. It is a strike that seemingly offers nothing positive whatsoever.

More Strikes

As of yesterday, efforts were being continued to find a solution to the dispute with Chimborazo Province and at the same time to control the strikes which are persisting among personnel in the prison and penitentiary sector and in the educational establishment. The nation is already preparing itself, however, to experience another strike in the petroleum and energy sectors, possibly including Sucumbios Province.

The government announced shortly after noon yesterday that it is taking all measures necessary to prevent the electricity workers from causing any damage to the country such as the oil workers have done.

Sucumbios Province—which has the largest concentration of oil fields—also threatens to take action if the petition concerning revenues that was submitted to the government is not honored.

Petroindustrial's Projects for 1995 Listed

95SM0093A Quito EL COMERCIO in Spanish 5 Dec 94 p B7

[Unattributed article: "Petroindustrial: A Subsidiary on a Grand Scale"]

[FBIS Translated Excerpts] *The enterprise will need to invest $428 million in its near-term projects. The main goal is expansion of the state-owned refining capacity.*

After five years of existence, Petroindustrial—one of the three subsidiaries of Petroecuador—has under way an ambitious hydrocarbons industrialization project that will go into operation in 1995.

Petroindustrial, Petroproduccion and Petrocomercial together comprise the holding company of the Petroecuador system. [passage omitted]

Petroindustrial will carry out four projects in 1995, as follows:

1. Expansion of the capacity of the Esmeraldas refinery to 110,000 barrels per day from 90,000.

2. Expansion of the capacity of the Amazonas refinery to 20,000 barrels per day from 10,000.

3. Modernization of the refineries on the Peninsula to enable them to produce 55,000 barrels per day compared to the current 46,000.

4. Collection of the gas that is currently being burned off in various oil fields of the Amazon region, and conversion of the gas thus collected into liquefied petroleum gas for household use.

"These are essential projects that require a total investment of approximately $428 million, which will be financed by the state enterprise and the private sector," Petroecuador President Federico Veintimilla said.

The government's top priority project in the hydrocarbons area, however—next to the trans-Ecuadoran oil pipeline—is the expansion of the Esmeraldas refinery, which will require a total investment of $164 million.

Modernization of the Peninsula plants, however, will require $200 million; expansion of the Amazonas refinery $24 million; and the gas-collection project $25 million.

Petroproduction Manager Benjamin Valle announced that the expanded Amazonas refinery will begin operations in March 1995.

At the present time, work on the Amazonas refinery project is 80 percent ahead of schedule.

The refinery will produce gasoline, diesel fuel, and liquefied petroleum gas to meet the demand for fuels in the Amazon region.

For the next 10 years, it will supply the petroleum enterprises that operate in the region.

The Esmeraldas refinery, for its part, will be expanded despite the opposition of various sectors and despite the questions they have raised concerning the awarding of the contract to the Spanish firm Tecnicas Reunidas.

The criticism involves possible irregularities in the bidding.

Moreover, the government has yet to clarify the commercial value of heavy crudes. So, critics say, "why convert the refinery?"

The decision has been made, however, and the project to improve the refinery's productivity is going forward.

Petroindustrial will make changes designed to prepare the complex for the processing of the aforementioned hydrocarbons and to get the FCC [expansion not given] unit on line—the unit where the high-octane gasolines are produced.

The FCC unit will increase its capacity to 18,000 barrels per day from 16,000. Like the Amazonas refinery, it will go into operation next April. [month as published]

The projections for the expanded complex, on the other hand, call for the processing of 24 API [American Petroleum Institute] gravity crude oil in the future—five

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

degrees [grados] less than the quality that the refinery was designed to process (29) and 3.5 less than the current quality of 27.5.

The manager maintains that under the old specifications, the production of gasolines and diesel fuel at the Esmeraldas refinery has decreased by 4,000 barrels per day while that of residual products has increased by 8,000 barrels per day.

Another of the projects—the collection of gas—is an ambitious one. It provides for the recovery of approximately 230 metric tons at the Sacha, Guanta, Auca, and other oil fields.

Modernization of the legendary refineries of the Peninsula is awaiting Petroecuador's decision with respect to the definitive plan.

Here, too, the plan calls for reducing to zero the lead content of the gasolines.

[Box, p B7]

Esmeraldas Refinery

1. Initial production: 55,615 barrels per day.

2. Current production: 90,000 barrels per day.

3. Projected production: 110,000 barrels per day.

4. Products: Gasolines, diesel fuel, gas, and other products.

Peru

Proposal For Single Opposition Candidate Fails

PY2912172394 Madrid EFE in Spanish 1612 GMT 28 Dec 94

[FBIS Translated Excerpt] Lima, 28 Dec (EFE)—Javier Perez de Cuellar, former UN secretary general and current candidate for the presidency of Peru, has admitted that the attempt to seek a single opposition candidate to confront President Alberto Fujimori, has failed.

Perez de Cuellar stated last night that "current conditions are not appropriate to achieve a candidate of consensus—which was thought to be him—among the movements opposed to the government."

He said the idea of a single candidate to oppose President Fujimori "was like a test-balloon, but it did not fly." He added that he does not consider the idea very democratic of other candidates to abandon their aspirations.

Perez de Cuellar said that although he does not want a runoff in April 1994, "everything leads us to believe there will be one." [passage omitted]

Some members of the American Popular Revolutionary Alliance (APRA) have said that if their candidate, Mercedes Cabanillas, a former minister and former senator, has to give up her candidacy she should head the list of APRA congressmen.

Cabanillas, who does not have very encouraging figures in the polls, has said she does not intend to follow the example of [Popular Christian Party candidate Lourdes Nano] Flores.

The results of a poll released today by the private company DATUM, which refers to non-electoral matters, shows that President Alberto Fujimori is considered by Peruvians the most outstanding man in Peru, with 50.1 percent.

He is followed by Perez de Cuellar with 8.4 percent, and by new Peruvian Cardinal Augusto Vargas Alzamora with 3.4 percent.

They are followed by Alejandro Toledo, by a television celebrity [not further identified], by tennis player Jaime Izaga, and by Fujimori's wife Susana Higuchi.

Higuchi, the third woman to aspire the Peruvian presidency, was eliminated by the JNE [National Election Board] which considered her registration unacceptable.

Army Liberates 134 Shining Path Prisoners

PY2812212294 Madrid EFE in Spanish 0307 GMT 27 Dec 94

[FBIS Translated Text] Lima, 26 Dec (EFE)—An official military communique released in Lima on 26 December states that Peruvian Army patrols have liberated 134 people whom the Shining Path [SL] had enslaved. During the clashes two military men were injured.

The military operations took place between 20 and 25 December in Alto Sanibeni, San Martin de Pangoa District, Satipo Province, in the jungle area of Junin Department in the central mountain area.

The communique was issued by the Central Political-Military Command headquartered in Huancayao, the capital of Junin Department, 315 km east of Lima. It states that of those freed, 121 are Ashaninka Indians and the other 13 are settlers.

The communique states there were 13 minors among those released, adding that they are sick and undernourished. The Ashaninkas have suffered for more than 10 years from raids by the SL on their settlements in Satipo region, seeking to enslave them.

Official sources believe SL columns still have many Ashaninka prisoners. Security forces have already released 6,000 of them.

The communique adds that a lieutenant and a sergeant were injured during the clash, along with an unspecified number of SL extremists who managed to flee. Those

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

who were released have been taken to the Sanibeni military base where they have been housed and fed.

Uruguay

President-Elect Satisfied With Visits to Mercosur States

PY3012021094 Montevideo EL PAIS in Spanish 23 Dec 94 p 1

[Article by Carlos Pauletti in Asuncion, Paraguay]

[FBIS Translated Excerpt] [President-elect] Julio Maria Sanguinetti yesterday ended his tour of the countries that, along with Uruguay, make up the Mercosur [Common Market of the South]. He expressed his satisfaction over the results of the talks that he held with heads of government, political leaders, and entrepreneurs. Sanguinetti expressed his rejection of any attempt to form minor blocs within the Mercosur, as there is no room in the integration system for antagonisms misrepresenting the agreement achieved by the four countries.

The president-elect began his tour on 19 December in Buenos Aires, where he talked with President Carlos Saul Menem.

Afterward, Sanguinetti traveled to the city of Brasilia to meet President Itamar Franco and then hold a meeting with President-elect Fernando Henrique Cardoso.

In the Brazilian capital, Sanguinetti also met political leaders and intellectuals.

In the evening of 21 December, Sanguinetti arrived in Asuncion, the last leg of his tour. [passage omitted]

After concluding his activities in Asuncion, and a few minutes before returning to Montevideo, Sanguinetti expressed to EL PAIS his satisfaction over the results of his meetings in the three countries, as they reflected the spirit with which the Mercosur partners are imbued.

Reviewing points involving the integration, Sanguinetti clearly expressed his rejection of any attempt or idea of forming sub-blocs within the Mercosur. He said: "We are a four-country organization, with a reciprocity established among all four contries and we have to act wisely and responsibly. It is not a matter of uniting the minor economies or forming sub-blocs between the larger economies."

Sanguinetti underlined that it is necessary to implement a spirit of solidarity among all the member countries. Therefore, it does not make any sense to talk about blocs within the Mercosur itself, he said.

In his opinion, the various stages, beginning on 1 January 1995, must be viewed realistically.

Abreu on Signing of EU, Mercosur Memorandum

PY3012020894 Montevideo EL OBSERVADOR ECONOMICO in Spanish 23 Dec 94 Economic Section p 8

[FBIS Translated Text] Foreign Minister Sergio Abreu has described as an "important political message" the signing of a memorandum of understanding by which the European Union [EU] and the Mercosur [Common Market of the South] will begin to negotiate the establishment of a free trade zone.

In remarks to EL OBSERVADOR ECONOMICO, the foreign minister said: "These issues always involve long-term processes and short steps. The complexity of this issue makes it advisable for the two blocs to judiciously approach each other."

Abreu emphasized the fact that during the negotiations with the EU, no one will be excluded from the process of trade deregulation.

Initially, the EU was reluctant to include the agricultural issue in the talks.

Mentioning that the Mercosur, by approaching the EU, will occupy a prominent position in international trade, Abreu emphasized: "This is also an important political message."

Abreu admitted that there are problems in entering a relationship with the EU, basically due to the change in the European system of tariff exemptions that might restrict the current trade flows.

Even though this issue worries the Mercosur (to the point that it was specifically mentioned during the recent presidential summit in Ouro Preto), Abreu emphasized that it would not attach any strings to the course of the negotiations.

Abreu noted: "We cannot dismantle the political decision nor withdraw from the process—which might prove useful if we take into account the final result—due to the problems that we might encounter after each step, problems arising from noncompliance by our partners." Nevertheless, Abreu pointed out that during the negotiations, the EU officials will be informed of the need to avoid contradictory signs.

The foreign minister made these remarks after meeting with entrepreneurial leaders. During the meeting, which was called to explain the results of the Ouro Preto negotiations with the other Mercosur partner countries, the entrepreneurs wanted to know if the compliance with the commitments, as far as respecting trade standards, was guaranteed.

Foreign Minister Sees Complications in Customs Union

PY2912221594 Montevideo EL OBSERVADOR ECONOMICO in Spanish 22 Dec 94 Economic Section p 9

[FBIS Translated Text] Foreign Minister Sergio Abreu has admitted that "there will be difficulties of every type" in the implementation of the [Common Market of the South, Mercosur] customs union among Argentina, Brazil, Paraguay, and Uruguay that will begin on 1 January 1995.

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

Interviewed by the radio station Nuevo Tiempo, Abreu highlighted the importance of the new phase that will start in 1995, although he did acknowledge that integration will imply a series of adaptation problems for the four countries. He mentioned as examples transit, traffic, customs formalities, administrative aspects, and the difficulties of adapting to the new trade rules and regulations.

He said that "a permanent effort to synchronize the customs nomenclature, administrative procedures, and the registration of vehicles at the border passes" is necessary.

"All these matters will take time to mature because we are still not in a position to say today that it is the common market."

Venezuela

Central Bank Reports 1994 Economic Performance

PA2912152894 Caracas EL NACIONAL in Spanish 27 Dec 94 p D-4

[Report by Adriana Cortes]

[FBIS Translated Text] In a year marked by a financial crisis that led to the bankruptcy of 13 banks, the latest Venezuelan economic indicators disclosed yesterday by the Central Bank of Venezuela [BCV] all have one common denominator—deficits. From the GDP, which fell to 3.3 percent; to overall public sector revenues that fell 15.2 percent; all the way up to international reserves, all economic results were below levels achieved in 1993.

BCV President Antonio Casas, accompanied by Directors Hugo Romero, Carlos Hernandez Delfino, Alfredo Laffe, and Eduardo Reyes, made his end-of-year address yesterday. Although the BCV president's address did not conceal the facts of an especially bad year, he did stress that the results fell far short of the shocking levels predicted several months ago, especially in terms of overall inflation, which totaled 70.8 percent.

The BCV's preliminary estimates indicate that the GDP (an indicator that measures economic growth or decline) dropped to its lowest levels in three years. The decline recorded last year was merely 0.4 percent as opposed to the 6.8 percent recorded in 1992. In real figures, GDP during 1994 amounted to 536.298 billion bolivares, in contrast to 554.428 billion during 1993, and 557 billion in 1992, all of which points to a continuous decline of the nation's economy.

The results were mainly attributed to the significant drop in nonpetroleum GDP, which fell 5.3 percent, and was evident only in the decline in private sector activities, considering the public sector grew by 0.7 percent.

According to Casas, the financial crisis' overall impact was so great that the central government's financial performance closed with a 7.3 percent GDP deficit as opposed to the 3.3 percent recorded in 1993, "despite significant efforts to ensure additional revenues." However, if we add to these figures the performances of other state institutions that make up the consolidated public sector (Social Security, Venezuelan Investment Fund [FIV], and Fogade [Deposit Guarantee and Banking Protection Fund], in particular), the deficit increases to 15.2 percent of GDP. Although a deficit was also recorded in 1993, it amounted only to 2.9 percent of the GDP.

The large 1994 deficit was caused by a 136 percent increase in the public sector's overall expenditures linked to capital transfers to failing banks.

While the banking crisis touched every sector of the country, it affected Fogade the most because this institution played a major role in the banking failure. As a palliative, the BCV message explains, "If we exclude the outcome of the financial situation, the consolidated public sector's performance shows a deficit of only 0.5 percent of GDP."

The solution of transferring capital to the banks has now become a debt which the government has with the BCV totaling 1.7 billion bolivares, of which 1 billion bolivares is owed by Fogade. The BCV is currently evaluating several repayment mechanisms that include placing debt documents in the domestic market and expediting the sale of Fogade assets. According to Casas, it is not just a matter of collecting a debt from a normal client, but of absorbing excess liquidity.

Inflation Everywhere

The aspect that affects the pocketbooks of every Venezuelan—technically known as inflation—was registered at conservative levels of 70.8 percent in 1994. This figure, proudly announced by the BCV president during his address, came after unofficial initial estimates of 100 percent.

At any rate, the figures recorded are critical when compared with the 45.9 percent recorded last year. The ingredients pointing to an increase in inflation are: supply restrictions, significant depreciation in the nominal rate of exchange during the months of May and June; increase in demand in light of excess liquidity; and the drop in interest rates.

The BCV report explains: "Also contributing to greater inflationary pressures were the rate adjustments on basic public services, unfavorable expectations associated with the financial crisis, and fiscal and monetary imbalances which encouraged a climate that led to speculative pressures."

The Consumer Price Index (CPI) showed the greatest increases in food, beverages, and tobacco, which rose 75.2 percent. These were followed by household expenditures, which increased 60 percent; miscellaneous expenditures, which rose 68.5 percent; and shoes and clothing, which increased 67.7 percent. Monthly inflation rates were greatest during June and July at 9 percent and 6.3 percent, respectively.

Reserves and Balance of Payments

Antonio Casas Gonzalez also confirmed the figure released by Deputy Presidency Minister Fernando Egana

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

regarding international reserve funds, which now stand at $11.904 billion. This figure is $752 million less than in 1993, but $3 billion greater than what there was at the end of the first half of the year.

Regarding the balance of payments, which illustrates Venezuela's international financial situation, there is an overall deficit of $634 million. Nevertheless, this figure did show improvement over last year's $653 million deficit.

If we break down the balance of payments, we see that the improvement lies in the $4.121 billion surplus in the current account (the nation's purchases and sales), compared to last year's $2.223 billion. This stems from a steep decline in imports (30.7 percent) and a 12 percent increase in total exports.

However, another element in the balance of payments—namely, the capital account—fell below 1993 levels by registering a deficit of $3.446 billion. This measurement takes into consideration all of the country's financial transactions with the rest of the world. The negative figure here is the result of fewer resources from foreign financial sources for the public and private sectors alike, and a net loss of capital during the first half of the year. According to the BCV report, "It is noteworthy that the capital account benefited in the second half from the establishment of exchange rate controls and a certain displacement of the foreign debt service payments, in addition to an improvement in foreign investments, which reached $272 million."

Roundup of Economic Developments

PA2712041994

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 26 December.

The European Union council has extended Venezuela's special customs status because of the country's intense fight against drug trafficking. The Venezuelan ambassador to Brussels says that this extension will make possible the duty-free export of a large number of products. The European Union also set the ceiling for canned tuna exports at 20,000 annual metric tons, which represents 11,000 metric tons above the country's present export quota. (Caracas Union Radio Network in Spanish 2200 GMT 20 Dec 94)

One of the few macroeconomic indexes favored by the exchange control was the trade balance, which closed the year with a positive result. This was brought about by the aggravated internal recession, which restricted consumption and, therefore, left a larger number of goods available for export; the devaluation of the bolivar, which contributed to the sale of Venezuelan products abroad; and the drop in imports as a consequence of the economic recession and exchange control. Nontraditional exports increased by 478 million, or 14 percent, above last year's figures. The outlook for 1995 is encouraging. (Caracas REPORTE DE LA ECONOMIA in Spanish 20 Dec 94 p 1)

With a certain number of highs and lows, the accumulated inflation rate from December 1993 to November 1994 reached 65.05 percent. It appears that inflation played a very important role in the financial crisis that broke out in January, when the financial assistance delivered by Fogade (Deposit Guarantee and Banking Protection Fund) led to great liquidity in the market, stimulating spending and consumption. (Caracas REPORTE DE LA ECONOMIA in Spanish 22 Dec 94 p 4)

A 22 December item datelined Caracas reports that the Venezuelan Banking Superintendency intervened in 39 corporations associated with the Barinas and Cordillera state banks on 22 December. The enterprises were dragged under by the financial crisis. (Madrid EFE in Spanish 2133 GMT 22 Dec 94)

According to a 23 December Caracas-datelined item, Werner Corrales, minister for coordination and planning, has said that the Venezuelan Government reported a GNP decrease of 3.3 percent in 1994 and that this has happened for the second consecutive year. Corrales also said that open unemployment reached 10 percent of the economically active population and that accumulated inflation will be approximately 70 percent. The government intends to lower inflation to between 25 and 30 percent in 1995. He added that the country's economic crisis originated in the banking system's serious troubles, which forced the government to disburse $5.5 billion in the first half of the year. (Mexico City NOTIMEX in Spanish 2014 GMT 23 Dec 94)

Werner Corrales, minister for coordination and planning, says there will be no devaluation to correct the fiscal deficit. Exports increased by 17.74 percent and imports decreased by 30 percent. Foreign investments increased by 146 percent for a total of $631 million over the figure at the end of last year. He finally said that the country would have closed the year without a deficit had it not been for the financial assistance the government was forced to give the bankrupt banks. (Caracas Venezolana de Television Network in Spanish 1630 GMT 23 Dec 94)

Luis Matos Azocar, spokesman for the Exchange Administration Board (JAC), says in his year-end report that in 1994 JAC authorized the exchange of $2.8 billion for exports as part of the government's effort to prevent dollars from being diverted to purposes other than the imports necessary for the country's development. He also says that the country recovered $12 billion of its international reserves. (Caracas EL UNIVERSAL in Spanish 23 Dec 94 Section 2 p 1)

By the end of 1994 the national enterprise Lagoven will have contributed 316 billion bolivares to the national treasury, president Julius Trincunas reports. He says the figure represents 62 percent more than last year's contribution. The corporation's net earnings amounted to 81 billion bolivares, twice the 1993 amount. (Caracas Venezolana de Television Network in Spanish 1630 GMT 26 Dec 94)

This report may contain copyrighted material. Copying and dissemination is prohibited without permission of the copyright owners.

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 352
MERRIFIELD, VA.

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735,or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.